



Thembelihle Local Municipality
Financial statements
for the year ended 30 June 2015
Auditor General of South Africa
Chartered Accountants (S.A.)
Registered Auditors

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

General Information

Nature of business and principal activities	Provision of Municipal services in terms of the Municipal Finance Management Act No.56 Of 2003 and Municipal Systems Act No.32 of 2000.
Grading of local authority	Grade 1
Registered office	Church street Hopetown 8750
Business address	Church street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank Limited
Auditors	Auditor General of South Africa Chartered Accountants (S.A.) Registered Auditors

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality's operations depend on a number sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 89, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr.M Mogale
Municipal Manager

Thembelihle Local Municipality

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Audit Committee Report

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act no.56 of 2003 and municipal systems act no.32 of 2000. and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 3 039 896 (2014: surplus R 1 120 031).

Proportion of income and loss attributable to various classes of business:

2015

Classes of business	Proportion of contribution to income	Amount
Property Rates	4 %	2 598 662
Service Charges	23 %	16 230 103
Grants and Subsidies	62 %	45 592 233
Other	11 %	8 471 806

2014

Classes of business	Proportion of contribution to income	Amount
Property Rates	4 %	2 288 849
Service Charges	27 %	15 174 507
Grants and Subsidies	57 %	33 842 715
Other	12 %	7 172 368

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated deficits of R 176 819 769 and that the municipality's total liabilities exceed its assets by R 176 819 769.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The municipality has a policy relating to the declaration of interest in contracts and other relating transactions. This was adhered to in that relevant officials with interest in SCM related transactions declared (both potential and existing) declared their interests.

5. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

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6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr.M Mogale	South African

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No.20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Audit and risk committee

In terms of Section 166 of the Municipal Finance Management Act, Pixley Ka Seme District Municipality must appoint members of the shared Audit Committee. Thus more information with regards to the composition of the shared audit committee, its operations and sub-committees will be covered in the district municipality's annual financial statements.

Internal audit

The municipality has a shared internal audit function based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's main banker is Standard Bank.

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

10. Non compliance with applicable legislation

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Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The following non-compliances to the Municipal Finance Management Act occurred:

- 1) Paragraph 165 & 166 - No internal audit unit or audit committee exists within the Municipality. The Municipality's internal audit functions are performed by Pixley Ka Seme.
- 2) Section 32 - Investigations have not been performed with regards to unauthorised, fruitless and wasteful or irregular expenditure during the 2014/2015 year relating to the amounts disclosed in the 2013/2014 financial year and neither have the report as required been submitted.
- 3) Paragraph 62 - Irregular, fruitless and wasteful and unauthorised expenditure occurred for the 2014-2015 financial year.
- 4) Section 63 - The municipality does not have an approved Road Maintenance Plan in place.
- 5) Section 65 - Suppliers were not paid within the 30 day requirement per the MFMA. This was due to cash constraints experienced by the Municipality.
- 6) Section 62 - A lack of proper record keeping and document control was experienced at the Municipality. Systems are being implemented to improve this situation at the Municipality.
- 7) Chapter 8 - The adjustments budget was not made public within 10 days as confirmed upon inspection of the website printout as it was dated the 3 August 2015 and it was approved on the 28 February 2015.
The monthly budget statements did not include and explain:
(i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
(ii) any material variances from the service delivery and budget implementation plan; and
(iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget
- 8) Section 62 - The municipality did not have code of ethical conduct signed by the municipality staff. There is no approved delegation of power by council for the 2014/2015 financial year. No reports are submitted within 10 days after the end of each quarter, on the implementation of the SCM policy to the mayor of the municipality. The municipality does not have a gift declaration register and policy in place. There are no properly implemented controls for vendor acceptance to prevent and detect fictitious providers.
- 9) The municipality does not have a disciplinary board to investigate allegations of financial misconduct; and monitor the institution of disciplinary proceedings against an alleged transgressor.
- 10) Section 83 - No assessment evaluation for competencies were performed for the following key positions: CFO, Municipal Manager and Acting corporate services manager.
- 11) Section 62 - The Municipality does not have a written policy or procedure to identify Subsequent events (events after reporting date).
- 12) Paragraph 127 - The Annual report was not tabled for the 2013/14 financial period. The annual performance report was not prepared and submitted for the audit.
- 13) Paragraph 14 - Background, qualifications and reference checks were not performed on all officials working at the Municipality.
- 14) Section 62 - No controls were in place to ensure discrepancies in the overtime paid out are detected and corrected.

The following non-compliances to the Municipal structures act occurred:

- 1) Section 79 - IT, Finance & Budget and HR committees were not established.

The following non-compliances to the Basic Conditions of Employment Act occurred:

- 1) There is no control in place to ensure that overtime is in accordance with Section 62 of MFMA and Basic Conditions of Employment Act section 10 (1) (b) chapter 2.
- 2) All employees did not take the minimum of 16 day leave during the financial period.
- 3) There insufficient controls over leave management within the municipality. This has however been addressed and proper controls have been implemented over the approval of leave.

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Accounting Officer's Report

4) Acting allowances were paid for periods exceeding 6 months.

The following non-compliances to the Municipal Systems Act occurred:

1) Paragraph 5A - Declarations of interest for all section 56 members and Municipal Manager was only submitted on the 7th of July 2015, which was not within 60 days of appointment.

2) Section 25 - Planned objectives included in the integrated development plan were not consistent with the service delivery and budget implementation plan. Planned objectives specified in the service delivery and budget implementation plan for the year under review were not aligned with the integrated development plan submitted for audit purposes. Per the SDBIP it can be concluded that there is 5 overall objectives. Per the IDP it was confirmed that there is 10 overall objectives. 3) Section 25 - Budgets were not allocated to each individual objective in the SDBIP 4) Section 25 - There was no correlation between the IDP and Annual Budget. 5) The indicators in IDP for the 2014/2015 financial period were inspected and it was confirmed that there is a total budget and there is a projection for the next three years. The budget also states the financial resources available for capital expenditure. It was not evident from the information provided the projection includes a financial strategy that defines sound financial management and expenditure control as well as means of increasing revenues and external funding for the municipality and its development priorities and objectives. Consequently the approved budget cannot be tied up to the 10 strategic objectives. The objectives as per the SDBIP can also not be linked to a budget per objective.

The following non-compliances to the Municipal Property Rates Act occurred:

1) The valuation roll was inspected and the following was noted: The valuation roll was not updated annually and the valuation roll is not compiled in accordance with the Municipality Property Rates Act, in that the valuation roll does not include two sections where part A consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the Municipality prepared in terms of Section 78 and Part B specify which properties on the valuation roll or any supplementary valuation rolls are subject to exceptions, rebates, phasing in of rates are specified. A new valuation roll has been compiled that will be implemented in July 2015.

The following non-compliances to the budget and reporting regulations occurred:

1) The adjustments budget was not made public within 10 days as confirmed upon inspection of the website printout as it was dated the 3 August 2015 and it was approved on the 28 February 2015.

2) The monthly budget statements did not include an explanation for:

- i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote
- ii) any material variances from the service delivery and budget implementation plan; and
- iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

The following non-compliances to the Division of Revenue Act occurred:

1) The Municipality did not submit a quarterly non-financial performance report within 30 days after the end of each quarter to the transferring national officer and the relevant provincial treasury.

2) No section 12(5) reports have been completed for MIG, MSIG and FMG.

The following non-compliances to the VAT act occurred:

1) The VAT 201 for May 2015 was not submitted and paid within 25 days of the following month of the VAT month period.

The following non-compliances to Regulations on the Predetermined Objectives occurred:

1) The plan provided was a financial recovery plan which is similar to a financial strategy but it is not included in the integrated development plan. Thus it can be concluded that the integrated development plan did not include a financial strategy.

2) No information has been obtained with regards to ward committees.

3) The IDP had no organogram for the implementation of the IDP which addresses the municipality's internal transformation.

4) There is no evidence of a development framework which includes the provision of basic guidelines for the land use management system.

5) There was no evidence of an approved disaster management plan being included in the IDP.

6) There was no evidence to support that the municipality drafted its IDP taking into account the integrated development processes of and proposals submitted to it by the district municipality.

7) The municipal manager did not submit a copy of the IDP as adopted by council of the municipality, and any subsequent

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Accounting Officer's Report

amendment to the plan, to the MEC for local government in the province within 10 working days of the adoption or amendment of the plan. The IDP was adopted on the 13/06/2014 and the submission to the MEC was dated the 18/08/2014.

8) The municipality prepared a SDBIP which indicated the projections of revenue to be collected and operational and capital expenditure for each quarter, and not each month.

9) The SDBIP does not contain clear, measurable service delivery targets.

10) There is no evidence of the SDBIP being revised and the revision approved after the approval of the adjustments budget.

11) There was no evidence to support that the annual budget was accompanied by measurable performance objectives for revenue from each source and for each vote in the budget.

12) There was no evidence supporting the annual review of the IDP and any proposed amendments.

13) There was no evidence supporting that particulars of service delivery agreements accompanied the annual budget when it was tabled.

14) There was no evidence of any resolutions, that approve measurable performance objectives for revenue, being adopted - when the SDBIP was tabled.

15) The SDBIP was sent to Provincial Treasury, however the date was the 9 September 2014 and the SDBIP was approved on the 13 June 2015. Thus the SDBIP was not sent to Treasury within 10 working days.

16) The municipal manager did not make public the approved adjustment budget and supporting documentation, as well as resolutions within 10 working days after the council approved the adjustment as the adjustments budget was approved on the 28 February 2015 but was only loaded on the system on the 3 August 2015.

17) No evidence was found to show that roles and responsibilities for ensuring data integrity and quality assurance were clear, documented and communicated to all relevant staff.

18) No information was provided with regards to the risk assessment process.

19) The municipality does not have any data assurance procedures in place such as data collection, processing and monitoring procedures.

20) There was no evidence to support that the annual budget was accompanied by measurable performance objectives for revenue from each source and for each vote in the budget.

21) There was no evidence of any resolutions, that approve measurable performance objectives for revenue, being adopted - when the SDBIP was tabled.

22) The municipal manager did not submit to the National Treasury and relevant provincial treasury, the mid-year performance assessment by 25 January of each year as it was sent on the 27 February 2015.

23) There is no evidence that the mid-year assessment report included material variances to the SDBIP.

24) There was no evidence to support the fact that roles and responsibilities for collecting, coordinating and compiling performance information were clear, documented and communicated to all relevant staff.

25) The municipality does not have specific and appropriate information systems to enable the entity to monitor the progress made towards achieving the goals, targets and core objectives as indicated in the strategic plan.

26) The municipality does not have any valid mechanisms, systems and processes for the monitoring, measurement and review of performance.

27) There was no evidence that the annual performance agreements for the municipal manager and all senior managers are linked to measurable performance objectives approved with the budget and to the SDBIP.

28) No performance appraisals completed for any official working at the municipality.

29) The Annual Performance report for the 2014/2015 year has not been prepared and submitted for audit.

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Accounting Officer's Report

With regards to the provision of water and sanitation the following occurred:

- 1) Water projects in progress in 2014-15 does not address the cause of the water backlog. We are of the view that a channel should be constructed between Hopetown and Strydenburg, but the Department of Water and Sanitation does not support this view and will thus not make funds available for this project.
- 2) Thembelihle Bulk Water Supply : Strydenburg Ground Water Development water infrastructure project have exceeded their planned completion date as the planned due date was 30 June 2015 and was extended to 15 December 2015.
- 3) The municipality does not have an approved policy in place that addresses routine maintenance of water infrastructure.
- 4) Maintenance of water infrastructure was not budgeted for by the municipality.
- 5) The municipality has not reported on backlogs in the provisioning of functional water services to households.
- 6) The municipality does not have sufficient water infrastructure to meet the needs of the municipality as there has been backlogs in the provisioning of functional water services due to lack of funding, high percentage of indigents.
- 7) Appropriate steps to prevent overspending of the budget allocation for routine water infrastructure maintenance was not taken.

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Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	10	1 641	144 939
Receivables from exchange transactions	11&13	2 425 254	2 287 534
Receivables from non-exchange transactions	12&13	3 543 284	1 597 879
Prepayments	7	17 460	104 548
Other Receivables	9	671 117	167 701
Cash and cash equivalents	14	722 539	8 862 798
		7 381 295	13 165 399
Non-Current Assets			
Investment property	3	7 729 100	7 077 190
Property, plant and equipment	4	221 339 162	209 778 838
Intangible assets	5	199 893	274 711
Non-Current Receivables from Exchange Transactions	8	455 117	438 559
		229 723 272	217 569 298
Total Assets		237 104 567	230 734 697
Liabilities			
Current Liabilities			
Other financial liabilities	17	412 671	60 552
Finance lease obligation	15	674 495	637 720
Payables from exchange transactions	21	33 262 613	23 341 516
VAT payable	22	111 760	2 490 894
Consumer deposits	23	474 099	476 128
Employee benefit obligation	6	165 624	165 000
Unspent conditional grants and receipts	16	6 785 456	11 620 201
Provisions	18	7 532 099	5 630 026
Third Party Collections	19	1 261 378	1 139 914
Long Service Awards	20	108 722	865 000
		50 788 917	46 426 951
Non-Current Liabilities			
Other financial liabilities	17	4 729 714	5 537 753
Finance lease obligation	15	19 364	644 659
Employee benefit obligation	6	3 857 853	3 604 000
Provisions	18	-	743 000
Long Service Awards	20	888 950	-
		9 495 881	10 529 412
Total Liabilities		60 284 798	56 956 363
Net Assets		176 819 769	173 778 334
Accumulated surplus		176 819 769	173 778 334

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Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	25	16 230 103	15 174 507
Rental of facilities and equipment	26	433 232	304 422
Interest received (trading)		807 643	785 471
Licences and permits		20 358	21 773
Administration and management fees received		1	79
Commissions received		391 317	263 969
Discount received		458 676	-
Other income	28	602 695	381 383
Connection fees		74 796	28 283
Interest received	29	390 984	662 951
Total revenue from exchange transactions		19 409 805	17 622 838
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	2 486 124	2 093 143
Licences or Permits (Non-exchange)		192 720	231 442
Informal Settlement rates		112 539	195 706
Transfer revenue			
Government grants & subsidies	31	45 592 233	33 842 715
Fines, Penalties and Forfeits		3 879 093	923 798
Total revenue from non-exchange transactions		52 262 709	37 286 804
Total revenue	24	71 672 514	54 909 642
Expenditure			
Employee related costs	32	(22 187 621)	(18 712 277)
Remuneration of councillors	33	(2 498 053)	(1 948 796)
Administration	34	(14 587)	(34 836)
Depreciation and amortisation	35	(8 936 295)	(8 220 930)
Finance costs	36	(3 476 067)	(1 086 378)
Lease rentals on operating lease	43	(17 520)	(48 501)
Debt Impairment	37	(6 689 570)	(4 483 320)
Repairs and maintenance		(1 191 139)	(1 089 495)
Bulk purchases	38	(10 372 009)	(9 571 786)
Contracted services	39	(91 531)	(63 811)
General Expenses	40	(13 532 037)	(12 098 278)
Total expenditure		(69 006 429)	(57 358 408)
Operating surplus (deficit)		2 666 085	(2 448 766)
(Loss) gain on disposal of assets and liabilities		(192 531)	182 907
Fair value adjustments	41	651 910	576 890
Actuarial gains/losses	6&20	(85 568)	2 809 000
		373 811	3 568 797
Surplus for the year		3 039 896	1 120 031

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	125 180 017	125 180 017
Changes in net assets		
Surplus for the year	1 120 031	1 120 031
Total changes	1 120 031	1 120 031
Opening balance as previously reported	126 300 048	126 300 048
Adjustments		
Prior year adjustments	47 478 286	47 478 286
Balance at 01 July 2014 as restated*	173 778 334	173 778 334
Changes in net assets		
Reclassification	1 539	1 539
Net income (losses) recognised directly in net assets	1 539	1 539
Surplus for the year	3 039 896	3 039 896
Total recognised income and expenses for the year	3 041 435	3 041 435
Total changes	3 041 435	3 041 435
Balance at 30 June 2015	176 819 769	176 819 769
Note(s)		

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Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		13 436 370	20 422 523
Grants		37 666 420	31 191 966
Interest income		390 984	662 951
Fines		470 570	923 798
Other receipts		677 492	1 858 147
		52 641 836	55 059 385
Payments			
Employee costs		(25 045 674)	(17 852 073)
Suppliers		(10 683 661)	(25 022 775)
Finance costs		(3 377 430)	(949 946)
		(39 106 765)	(43 824 794)
Net cash flows from operating activities	44	13 535 071	11 234 591
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(20 607 772)	(10 948 099)
Proceeds from sale of property, plant and equipment	4	-	212 955
Purchase of other intangible assets	5	(6 560)	(13 863)
Purchase of non-current receivables from exchange transactions		(16 558)	1 907 019
Net cash flows from investing activities		(20 630 890)	(8 841 988)
Cash flows from financing activities			
Finance payments		(1 044 440)	(571 916)
Net increase/(decrease) in cash and cash equivalents		(8 140 259)	2 204 083
Cash and cash equivalents at the beginning of the year		8 862 798	6 658 715
Cash and cash equivalents at the end of the year	14	722 539	8 862 798

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	17 223 000	1 267 000	18 490 000	16 230 103	(2 259 897)	Load shedding had an effect on the Electricity billed for the year that was not considered in the budget.
Rental of facilities and equipment	488 000	26 000	514 000	433 232	(80 768)	
Interest received (trading)	3 178 000	(2 274 000)	904 000	807 643	(96 357)	
Licences and permits	-	-	-	20 358	20 358	When the budget was compiled an expected increase was taken into account that did not materialise.
Administration and management fees received	-	-	-	1	1	
Commissions received	-	-	-	391 317	391 317	
Discount received	-	-	-	458 676	458 676	More debtors receipts were obtained which meant less interest charges.
Other income - (rollup)	819 000	(333 000)	486 000	602 695	116 695	
Connection Fees	-	-	-	74 796	74 796	
Interest received - investment	347 000	(45 000)	302 000	390 984	88 984	Larger utilisation of investment accounts than expected.
Total revenue from exchange transactions	22 055 000	(1 359 000)	20 696 000	19 409 805	(1 286 195)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	3 401 000	659 000	4 060 000	2 486 124	(1 573 876)	Expected errors to be shown on the rates reconciliation that did not materialise.
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Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Licences or Permits (Non-exchange)	280 000	(96 000)	184 000	192 720	8 720	
Informal Settlement Rates	-	-	-	112 539	112 539	
Transfer revenue						
Government grants & subsidies	42 620 000	(8 351 000)	34 269 000	45 592 233	11 323 233	Grant income is determined by the DORA allocation. Large increase in MIG related expenditures. Treasury's contribution to the Auditor General's ourstanding account.
Fines, Penalties and Forfeits	4 021 000	491 000	4 512 000	3 879 093	(632 907)	Service provider for Traffic fines was appointed later than expected.
Total revenue from non-exchange transactions	50 322 000	(7 297 000)	43 025 000	52 262 709	9 237 709	
Total revenue	72 377 000	(8 656 000)	63 721 000	71 672 514	7 951 514	
Expenditure						
Personnel	(21 325 000)	1 118 000	(20 207 000)	(22 187 621)	(1 980 621)	Upgrading & New Appointments.
Remuneration of councillors	(2 380 000)	(239 000)	(2 619 000)	(2 498 053)	120 947	
Administration	-	-	-	(14 587)	(14 587)	
Depreciation and amortisation	(3 291 000)	(6 816 000)	(10 107 000)	(8 936 295)	1 170 705	Budget based on prior period audited depreciation and was adjusted with the current year's asset register.
Finance costs	(393 000)	(252 000)	(645 000)	(3 476 067)	(2 831 067)	Landfill site provision increase due to immediate closure requirements. Eskom increased interest charges on outstanding account.
Lease rentals on operating lease	-	-	-	(17 520)	(17 520)	

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Bad debts written off	(8 749 000)	-	(8 749 000)	(6 689 570)	2 059 430	Increase in debtors collection was not expected.
Repairs and maintenance	(1 288 000)	492 000	(796 000)	(1 191 139)	(395 139)	Budget was based on cashflow payments towards repairs & Maintenance. Actuals include creditors transactions.
Bulk purchases	(6 898 000)	(2 480 000)	(9 378 000)	(10 372 009)	(994 009)	Budget was based on cashflow payments towards repairs & Maintenance. Actuals include creditors transactions.
Contracted Services	(161 000)	-	(161 000)	(91 531)	69 469	Budget was based on contracts to start on January 2015, but only started in May 2015.
Transfers and Subsidies	(1 313 000)	139 000	(1 174 000)	-	1 174 000	The amount budgeted for never realised.
General Expenses	(9 339 000)	(1 805 000)	(11 144 000)	(13 532 037)	(2 388 037)	Budget was based on cashflow payments towards expenditures. Actuals include creditors transactions.
Total expenditure	(55 137 000)	(9 843 000)	(64 980 000)	(69 006 429)	(4 026 429)	
Operating surplus	17 240 000	(18 499 000)	(1 259 000)	2 666 085	3 925 085	
Loss on disposal of assets and liabilities	-	-	-	(192 531)	(192 531)	
Fair value adjustments	-	-	-	651 910	651 910	
Actuarial gains/losses	1 785 942	(1 785 942)	-	(85 568)	(85 568)	
	1 785 942	(1 785 942)	-	373 811	373 811	
Surplus before taxation	19 025 942	(20 284 942)	(1 259 000)	3 039 896	4 298 896	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	19 025 942	(20 284 942)	(1 259 000)	3 039 896	4 298 896	

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	50 000	-	50 000	1 641	(48 359)	Cashflow constraints meant the municipality can only purchase inventory as needed.
Receivables from exchange transactions	1 193 000	-	1 193 000	2 425 254	1 232 254	The Impairment was less than expected.
Receivables from non-exchange transactions	-	-	-	3 543 284	3 543 284	Impairment was less than expected
Prepayments	-	-	-	17 460	17 460	
Other Receivables	1 306 000	(946 000)	360 000	671 117	311 117	Motor registration receivables have been accrued in the 2014/15 financial period. A court ruling in the 2014/15 financial period also increased the receivable.
Cash and cash equivalents	7 912 000	2 490 000	10 402 000	722 539	(9 679 461)	Outstanding creditors were paid more than expected.
	10 461 000	1 544 000	12 005 000	7 381 295	(4 623 705)	
Non-Current Assets						
Investment property	4 773 000	660 000	5 433 000	7 729 100	2 296 100	Changes to Investment properties were as a result of the new valuations used in the adjusted asset register.
Property, plant and equipment	210 919 000	(12 484 000)	198 435 000	221 339 162	22 904 162	Budget was based on the asset register before the new asset register was compiled.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Intangible assets	-	-	-	199 893	199 893	
Non-Current Receivables from Exchange Transactions	-	-	-	455 117	455 117	
	215 692 000	(11 824 000)	203 868 000	229 723 272	25 855 272	
Total Assets	226 153 000	(10 280 000)	215 873 000	237 104 567	21 231 567	
Liabilities						
Current Liabilities						
Other financial liabilities	80 000	630 000	710 000	412 671	(297 329)	Budgeted amount includes the finance charges
Finance lease obligation	-	-	-	674 495	674 495	The finance lease liability was budgeted for under Provisions.
Payables from exchange transactions	23 444 000	(4 631 000)	18 813 000	33 262 613	14 449 613	Retention fees not budgeted for, less payments to Eskom than expected.
VAT payable	-	-	-	111 760	111 760	
Consumer deposits	299 000	249 000	548 000	474 099	(73 901)	Less consumer debt than expected. A number of accounts was closed meaning deposits were paid back.
Employee benefit obligation	-	-	-	165 624	165 624	
Unspent conditional grants and receipts	-	-	-	6 785 456	6 785 456	Unspent grants budgeted for as part of payables.
Provisions	7 798 000	(2 720 000)	5 078 000	7 532 099	2 454 099	A large increase in the provision on landfill sites was not budgeted for.
Third Party Collections	-	-	-	1 261 378	1 261 378	This liability was not budgeted for.
Long Service Awards	-	-	-	108 722	108 722	
	31 621 000	(6 472 000)	25 149 000	50 788 917	25 639 917	
Non-Current Liabilities						
Other financial liabilities	5 462 000	(574 000)	4 888 000	4 729 714	(158 286)	
Finance lease obligation	-	-	-	19 364	19 364	

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Employee benefit obligation	-	-	-	3 857 853	3 857 853	This liability was not budgeted for.
Provisions	11 141 000	-	11 141 000	-	(11 141 000)	A large increase in the landfill site provision was not expected.
Long Service Awards	-	-	-	888 950	888 950	This liability was not budgeted for.
	16 603 000	(574 000)	16 029 000	9 495 881	(6 533 119)	
Total Liabilities	48 224 000	(7 046 000)	41 178 000	60 284 798	19 106 798	
Net Assets	177 929 000	(3 234 000)	174 695 000	176 819 769	2 124 769	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	31 661 000	(207 000)	31 454 000	-	(31 454 000)	Change in accounting policy.
Accumulated surplus	146 268 000	(3 027 000)	143 241 000	176 819 769	33 578 769	Change in accounting policy.
Total Net Assets	177 929 000	(3 234 000)	174 695 000	176 819 769	2 124 769	

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	21 066 000	1 390 000	22 456 000	13 436 370	(9 019 630)	Refer to Statement of financial performance.
Grants	42 690 000	(8 421 000)	34 269 000	37 666 420	3 397 420	Refer to statement of financial performance
Interest income	1 713 000	(508 000)	1 205 000	390 984	(814 016)	Refer to statement of financial performance
Fines	-	-	-	470 570	470 570	Cashflow budgeted under goods & Services
Other cash item	-	-	-	677 492	677 492	Cashflow budgeted under goods & Services.
	65 469 000	(7 539 000)	57 930 000	52 641 836	(5 288 164)	

Payments

Employee costs	(23 705 000)	879 000	(22 826 000)	(25 045 674)	(2 219 674)	Refer to statement of financial performance.
Suppliers	(18 216 000)	(263 000)	(18 479 000)	(10 683 661)	7 795 339	Refer to statement of financial position.
Finance costs	(393 000)	(252 000)	(645 000)	(3 377 430)	(2 732 430)	Refer to statement of financial performance.
Other payments	(1 313 000)	139 000	(1 174 000)	-	1 174 000	
	(43 627 000)	503 000	(43 124 000)	(39 106 765)	4 017 235	

Net cash flows from operating activities	21 842 000	(7 036 000)	14 806 000	13 535 071	(1 270 929)	
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Cash flows from investing activities

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Purchase of property, plant and equipment	(18 370 000)	6 270 000	(12 100 000)	(20 607 772)	(8 507 772)	Capital grants were more than expected.
Purchase of other intangible assets	-	-	-	(6 560)	(6 560)	
Purchase of financial assets	-	-	-	(16 558)	(16 558)	
Net cash flows from investing activities	(18 370 000)	6 270 000	(12 100 000)	(20 630 890)	(8 530 890)	
Cash flows from financing activities						
Consumer deposits	47 000	(47 000)	-	-	-	
Repayment of loan	(80 000)	(630 000)	(710 000)	(1 044 440)	(334 440)	
Net cash flows from financing activities	(33 000)	(677 000)	(710 000)	(1 044 440)	(334 440)	
Net increase/(decrease) in cash and cash equivalents	3 439 000	(1 443 000)	1 996 000	(8 140 259)	(10 136 259)	
Cash and cash equivalents at the beginning of the year	4 474 000	3 932 000	8 406 000	8 862 798	456 798	
Cash and cash equivalents at the end of the year	7 913 000	2 489 000	10 402 000	722 539	(9 679 461)	

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 49 Changes in accounting policy.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Cash & Cash Equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

VAT

The municipality accounts for Value added Tax (VAT) on an accrual basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1) of the VAT act in respect of supply of goods and services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT act or are scoped out for VAT purposes. The municipality accounts for VAT on a transactional basis.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties; Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
 - Property being constructed or developed on behalf of third parties;
 - Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
Property that is leased to another entity under a finance lease;
Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
Property held for strategic purposes or service delivery.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Land -

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

Infrastructure Assets -

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

Incomplete Construction work -

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leased Assets -

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the Statement of Financial Performance.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment are reviewed annually for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount. An impairment is written back only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is accounted for in the Statement of Financial Performance.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life - Years
Land		
• Land	Not Applicable	
Buildings	Straight line	10 - 30
Infrastructure	Straight line	
• Roads & Paving		5 - 80
• Electricity		5 - 50
• Water		10 - 100
• Sewerage / Solid Waste		10 - 60
• Sanitation		10 - 100
Community	Straight line	
• Community Facilities		30
• Recreational facilities		15 - 30
Other	Straight line	
• Computer Equipment		5 - 10
• Emergency Equipment		10
• Furniture & Fittings		5 - 15
• Motor Vehicles		7 - 15
• Office Equipment		5 - 15
• Plant & Equipment		5 - 15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition -

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Site restoration and dismantling cost (Landfill sites)

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

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1.7 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

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1.9 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Inventory	Financial asset measured at fair value
Cash & Cash Equivalents	Financial asset measured at cost
Pre-payments	Financial asset measured at cost
Grants Receivable	Financial asset measured at cost
Trade Receivables	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables	Financial liability measured at cost
Employee benefits	Financial liability measured at fair value

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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Accounting Policies

1.9 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Water is regarded as inventory when the municipality purchased water in bulk with the intention to resell it to the consumer or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.) However, water in dams, that are filled by natural resources and that has not yet been treated, is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, is not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

1.12 Grant receivable

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Thembelihle Local Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

The municipality and its employees contribute to various pension, provident and retirement funds and its councillors contribute to the Pension fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirement of the various funds. Current contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Some of the various funds that the municipality contributes to are multi-employer defined benefit plans but they are accounted for as defined contribution plans. This is because of the nature of these funds and the fact that the assets are not specifically associated to meet the obligations in respect of individual employers in terms of paragraph 30 of IAS 19. Thus there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual municipalities participating in the plan. The contributions to the fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi employer plans are actuarially valued annually on a national or provincial basis, using the projected unit credit method. Deficits, if any, are recovered through lumpsum payments or increased future contributions on proportional basis from all participating municipalities.

Post-employment benefits: Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the municipality's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees.

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund upon retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service.

Where some of the employees are not members of any qualifying medical aid scheme as at the reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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Accounting Policies

1.16 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or operational commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

Thembelihle Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Thembelihle Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is accounted for on a monthly basis when it is probable that economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with relevant legal requirements.

Revenue from rates are accounted for when the legal entitlement to this revenue arises. A site rating system is applied. In terms of this system, assessment rates are levied on the land value of the property. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue. Changes to property values during the reporting period are valued by a qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is accounted for.

Transfers

Equitable share allocations are recognised in revenue at the start of the financial period if no time-based restrictions exists.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable. Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property plant and equipment, when expenses are incurred to construct the items of property plant and equipment.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Therefore revenue and receivables from fines are accounted for as the fines are issued.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.20 Borrowing costs (continued)

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.24 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014-07-01 to 2015-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

1.28 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

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Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and

Notes to the Financial Statements

2. New standards and interpretations (continued)

- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

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3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	7 729 100	-	7 729 100	7 077 190	-	7 077 190

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	7 077 190	651 910	7 729 100

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	6 500 300	576 890	7 077 190

Details of property

Land

Land held for capital appreciation.

- Fair value	3 238 190	3 106 900
- Additions since purchase or valuation	142 710	131 290
	3 380 900	3 238 190

Land and Improvements

Land and Improvements held for capital appreciation.

- Fair value	3 839 000	3 393 400
- Additions since purchase or valuation	509 200	445 600
	4 348 200	3 839 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2015. The method used by the valuator was to use the existing valuation roll as prepared by the municipal valuer. The value per the valuation roll was increased or decreased to be calculated the current marked value from analysis of most recent property sales dating from 2009 to current.

The assumptions made were to use the marked related property information over the last 6 years to increase or decrease the property value to get to a fair value at the end of the financial year under review.

The fair value of Investment Property was provided by Pieter Hendrik Venter, registered as a Candidate Valuer under subsection (2) of section 22 of (Act 47) of 2000 assisted Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of Section 22 of (Act 47) of 2000 of the Property Valuers Profession Bill.

Thembelihle Local Municipality

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4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 227 066	-	7 227 066	7 227 066	-	7 227 066
Buildings	5 642 621	(2 878 046)	2 764 575	5 642 623	(2 689 959)	2 952 664
Plant and machinery	918 697	(336 702)	581 995	752 571	(178 516)	574 055
Furniture and fixtures	969 457	(397 488)	571 969	915 255	(274 283)	640 972
Motor vehicles	1 089 700	(268 322)	821 378	1 171 600	(205 890)	965 710
Office equipment	2 072 391	(737 873)	1 334 518	1 668 288	(429 456)	1 238 832
Finance lease assets	2 342 049	(1 363 128)	978 921	2 583 867	(1 157 069)	1 426 798
Infrastructure	273 136 243	(90 860 685)	182 275 558	244 115 610	(83 389 967)	160 725 643
Emergency equipment	305 684	(149 115)	156 569	302 908	(94 184)	208 724
Work in Progress	24 626 613	-	24 626 613	33 818 374	-	33 818 374
Total	318 330 521	(96 991 359)	221 339 162	298 198 162	(88 419 324)	209 778 838

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	7 227 066	-	-	-	-	7 227 066
Buildings	2 952 664	-	-	-	(188 089)	2 764 575
Plant and machinery	574 055	19 317	-	146 809	(158 186)	581 995
Furniture and fixtures	640 972	34 660	-	19 542	(123 205)	571 969
Motor vehicles	965 710	-	(73 105)	-	(71 227)	821 378
Office equipment	1 238 832	345 283	-	58 820	(308 417)	1 334 518
Finance lease assets	1 426 798	71 466	(115 807)	-	(403 536)	978 921
Infrastructure	160 725 643	-	-	29 020 633	(7 470 718)	182 275 558
Emergency equipment	208 724	2 776	-	-	(54 931)	156 569
Work in Progress	33 818 374	20 134 270	-	(29 326 031)	-	24 626 613
Total	209 778 838	20 607 772	(188 912)	(80 227)	(8 778 309)	221 339 162

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Prior Period Errors	Disposals	Transfers	Depreciation	Total
Land	-	-	7 227 066	-	-	-	7 227 066
Buildings	29 397 044	-	(26 256 293)	-	-	(188 087)	2 952 664
Plant and machinery	281 321	64 650	367 556	(30 981)	-	(108 491)	574 055
Furniture and fixtures	367 080	44 478	343 839	-	-	(114 425)	640 972
Motor vehicles	545 327	-	616 904	(118 389)	-	(78 132)	965 710
Office equipment	1 810 437	95 831	(393 924)	(34 574)	-	(238 938)	1 238 832
Finance Lease Assets	-	13 198	1 851 311	-	-	(437 711)	1 426 798
Infrastructure	114 802 909	-	33 170 613	-	19 618 064	(6 865 943)	160 725 643
Emergency Equipment	46 919	-	216 004	-	-	(54 199)	208 724
Bins and containers	1 253	-	(1 253)	-	-	-	-
Work in Progress	39 639 237	10 729 942	3 067 259	-	(19 618 064)	-	33 818 374
Landfill sites	2 124 342	-	(2 124 342)	-	-	-	-
	189 015 869	10 948 099	18 084 740	(183 944)	-	(8 085 926)	209 778 838

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4. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30
Electricity	Straight line	5 - 50
Roads and Paving	Straight line	5 - 80
Furniture and fittings	Straight line	5 - 15
Motor vehicles	Straight line	7 - 15
Office equipment	Straight line	5 - 15
Computer equipment	Straight line	5 - 10
Computer software	Straight line	3
Emergency Equipment	Straight line	10
Plant & Equipment	Straight line	5 - 15
Community Facilities	Straight line	30
Recreational Facilities	Straight line	15 - 30
Sanitation	Straight line	10 - 100
Sewerage / Solid Waste	Straight line	10 - 60
Water network	Straight line	10 - 100

Assets subject to finance lease (Net carrying amount)

Finance lease assets	978 921	1 426 798
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Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	33 818 374	33 818 374
Additions/capital expenditure	20 134 270	20 134 270
Transferred to completed items	(29 326 031)	(29 326 031)
	24 626 613	24 626 613

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	42 706 496	42 706 496
Additions/capital expenditure	10 729 942	10 729 942
Transferred to completed items	(19 618 064)	(19 618 064)
	33 818 374	33 818 374

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	500 300	(300 407)	199 893	417 338	(142 627)	274 711

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Transfers received	Amortisation	Total
Computer software, other	274 711	6 560	(3 619)	80 227	(157 986)	199 893

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	395 852	13 863	(135 004)	274 711

6. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of LA Health, Hosmed, Bonitas, Keyhealth and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members post employment medical aid contributions. All subsidies are subject to a maximum of R3 871 for the year ending 30 June 2016. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the end of the financial period, the members of the medical aid entitled to the post employment medical scheme subsidy were 66 in-service members and 5 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2015 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-Active members	(1 906 612)	(1 221 800)
Present value of the defined benefit obligation-Continuation	(2 116 865)	(2 547 200)
	(4 023 477)	(3 769 000)
Non-current liabilities	(3 857 853)	(3 604 000)
Current liabilities	(165 624)	(165 000)
	(4 023 477)	(3 769 000)

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

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6. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 769 000	5 875 000
Benefits paid	(205 418)	-
Net expense recognised in the statement of financial performance	459 896	(2 106 000)
	4 023 478	3 769 000

Net expense recognised in the statement of financial performance

Current service cost	129 000	286 000
Interest cost	336 000	417 000
Actuarial (gains) losses	(5 104)	(2 809 000)
	459 896	(2 106 000)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(5 104)	(2 809 000)
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.89 %	8.94 %
Net effective discount rate	0.80 %	1.00 %
Expected increase in healthcare costs	8.03 %	8.05 %
Consumer price inflation	6.53 %	7.05 %

Replacement Ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Decrement Assumptions: Mortality [Active members: SA(85-90), Pensioners: PA(90)]

Average retirement age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

Continuation of Membership: It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family profile: It has been assumed that husbands will be five years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Thembelihle Local Municipality

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6. Employee benefit obligations (continued)

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends, Discount rate and Post retirement mortality will have the following effects:

	One percentage point increase	One percentage point decrease
Health care inflation: Effect on the accrued liability	4 207 000	3 781 000
Discount rate: Effect on the accrued liability	3 555 000	4 601 000
Post retirement mortality: Effect on the accrued liability	4 141 000	4 196 000
Health care inflation: Effect on Current service and Interest costs	507 000	419 000
Mortality Rates: Effect on Current service and Interest costs	454 000	476 000

Amounts for the current and previous two years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	4 023 000	3 769 000	5 875 000	-	-
Surplus (deficit)	(4 023 000)	(3 769 000)	(5 875 000)	-	-
Experience adjustments on plan liabilities	51 000	-	-	-	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for these plans as a defined contribution plans:

Multi-Employer State Plans

The following are the defined benefit plans that the municipality's employees belong to:

- Municipal Council Pension Fund
- Cape Joint Fund
- South African Local Authorities (SALA) Pension Fund

These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 paragraph 30 which states where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

In terms of contributions to the fund, the municipality and employee contributions are as follows:

- SALA Pension fund - Employee (8.6%); Employer (20.78%)
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%)
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06%)
- Municipal Gratuity Fund - Employee (8.6%); Employer (18.6%)

An amount of R2 377 318 (2014: R2 221 348) was contributed by council in respect of councillors and employees retirement fund. These contributions have been expensed and are included in employee related costs for the year.

Thembelihle Local Municipality

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7. Prepayments

Payments were made in advance on the OVK account to an amount of R17 460.33

8. Non-Current Receivables from Exchange Transactions

Thembelihle Municipality provides two settlement options to Consumer debtors to settle their outstanding service accounts, **Option 1:** 25% of the outstanding balance is paid over 3 years. Once the 25% is settled the remaining 75% of the outstanding account are written off.

Option 2: 60% of the outstanding balance is paid once-off and the remaining 40% of the outstanding balance is written off.

The balance of R455 117 (2014: R438 559), after provision for impairments of R2 271 376 (2014: R1 305 641), reflect the Non-Current portion payable under Option1. The Amount written off under Option 1 and 2 totals R357 919 (2014: R187 280).

9. Other Receivables

Other Receivables consists of Motor Registration fees receivable of R411 416 and two Court rulings to receive R259 701 from ex-employees.

10. Inventories

Consumable stores	-	143 298
Water	1 641	1 641
	1 641	144 939

Carrying value of inventories carried at fair value less costs to sell

	1 641	144 939
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Inventory pledged as security

No inventory was pledged as security during the current financial period..

11. Receivables from exchange transactions

Consumer debtors - Electricity	1 745 297	1 724 419
Consumer debtors - Water	214 597	236 649
Consumer debtors - Sewerage	221 190	156 325
Consumer debtors - Refuse	81 880	71 683
Consumer debtors - Arrears	146 074	69 856
Consumer debtors - Rentals	12 973	12 521
Consumer debtors - Other	3 243	16 081
	2 425 254	2 287 534

12. Receivables from non-exchange transactions

Fines	478 369	-
Government grants and subsidies (Refer to note 30)	2 509 146	1 136 908
Consumer debtors - Rates	555 769	460 971
	3 543 284	1 597 879

Receivables from non-exchange transactions impaired

As of 30 June 2015, Traffic fine receivables from non-exchange transactions of R 3 372 000 (2014: R -) were impaired and provided for.

The amount of the provision was R 2 917 054 as of 30 June 2015 (2014: R -).

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
13. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	7 684 530	7 258 123
Consumer debtors - Electricity	6 757 696	6 772 038
Consumer debtors - Water	13 953 582	13 371 643
Consumer debtors - Sewerage	11 893 967	10 941 829
Consumer debtors - Refuse	6 742 939	6 220 143
Consumer debtors - Arrears	1 791 814	1 636 641
Consumer debtors - Rentals	172 012	151 813
Consumer debtors - Other	280 456	255 847
	49 276 996	46 608 077
Less: Allowance for impairment		
Consumer debtors - Rates	(7 128 761)	(6 797 152)
Consumer debtors - Electricity	(5 012 399)	(5 047 619)
Consumer debtors - Water	(13 738 985)	(13 134 994)
Consumer debtors - Sewerage	(11 672 777)	(10 785 504)
Consumer debtors - Refuse	(6 661 059)	(6 148 460)
Consumer debtors - Arrears	(1 645 740)	(1 566 785)
Consumer debtors - Rentals	(159 039)	(139 292)
Consumer debtors - Other	(277 213)	(239 766)
	(46 295 973)	(43 859 572)
Net balance		
Consumer debtors - Rates	555 769	460 971
Consumer debtors - Electricity	1 745 297	1 724 419
Consumer debtors - Water	214 597	236 649
Consumer debtors - Sewerage	221 190	156 325
Consumer debtors - Refuse	81 880	71 683
Consumer debtors - Arrears	146 074	69 856
Consumer debtors - Rentals	12 973	12 521
Consumer debtors - Other	3 243	16 081
	2 981 023	2 748 505
Included in above is receivables from exchange transactions		
Electricity	1 745 297	1 724 419
Water	214 597	236 649
Sewerage	221 190	156 325
Refuse	81 880	71 683
Arrears	146 074	69 856
Rentals	12 973	12 521
Other	3 243	16 081
	2 425 254	2 287 534
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	553 913	460 952
Informal Settlements Rates	1 856	20
	555 769	460 972
Net balance	2 981 023	2 748 506

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
13. Consumer debtors disclosure (continued)		
Rates		
Current (0 -30 days)	115 133	90 552
31 - 60 days	39 293	34 385
61 - 90 days	26 764	22 920
91 - 120 days	24 145	22 173
>120 days	350 434	290 941
	555 769	460 971
Electricity		
Current (0 -30 days)	807 539	739 937
31 - 60 days	134 983	173 922
61 - 90 days	121 586	114 600
91 - 120 days	61 571	48 704
>120 days	619 618	647 256
	1 745 297	1 724 419
Water		
Current (0 -30 days)	90 256	81 732
31 - 60 days	13 114	28 924
61 - 90 days	10 625	17 377
91 - 120 days	8 051	9 215
>120 days	92 551	99 401
	214 597	236 649
Sewerage		
Current (0 -30 days)	63 237	59 792
31 - 60 days	18 840	17 878
61 - 90 days	11 677	11 613
91 - 120 days	9 972	7 562
>120 days	117 464	59 480
	221 190	156 325
Refuse		
Current (0 -30 days)	27 177	29 017
31 - 60 days	5 660	7 475
61 - 90 days	3 675	5 061
91 - 120 days	2 794	3 502
>120 days	42 574	26 628
	81 880	71 683
Arrears		
Current (0 -30 days)	15 052	7 487
31 - 60 days	9 169	4 426
61 - 90 days	5 359	3 554
91 - 120 days	5 016	2 458
>120 days	111 478	51 931
	146 074	69 856

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Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
13. Consumer debtors disclosure (continued)		
Rentals		
Current (0 -30 days)	9 210	4 480
31 - 60 days	937	972
61 - 90 days	416	209
91 - 120 days	416	143
>120 days	1 994	6 717
	12 973	12 521
Other		
Current (0 -30 days)	2 745	7 166
31 - 60 days	-	2 020
>120 days	498	6 895
	3 243	16 081
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 068 565	1 028 657
31 - 60 days	544 552	600 507
61 - 90 days	508 423	642 907
91 - 120 days	476 627	562 919
>120 days	41 820 452	39 572 183
	44 418 619	42 407 173
Less: Allowance for impairment	(43 279 187)	(41 335 491)
	1 139 432	1 071 682
Industrial/ commercial		
Current (0 -30 days)	595 724	495 772
31 - 60 days	145 135	133 500
61 - 90 days	148 936	73 006
91 - 120 days	156 256	78 238
>120 days	2 763 855	2 445 568
	3 809 906	3 226 084
Less: Allowance for impairment	(3 016 788)	(2 510 879)
	793 118	715 205
National and provincial government		
Current (0 -30 days)	159 910	160 981
31 - 60 days	92 498	127 732
61 - 90 days	88 117	110 149
91 - 120 days	32 909	46 664
>120 days	675 332	529 294
	1 048 766	974 820
Less: Allowance for impairment	-	(13 202)
	1 048 766	961 618
Total debtor past due but not impaired		
31 - 60 days	221 997	270 001
61 - 90 days	180 103	175 335
91 - 120 days	110 129	93 756
121 - 365 days	1 338 740	1 189 250
	1 850 969	1 728 342

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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13. Consumer debtors disclosure (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(43 859 572)	(39 376 253)
Contributions to allowance	(2 436 401)	(4 483 319)
	(46 295 973)	(43 859 572)

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	97 686	1 784
Bank balances	624 853	8 861 014
	722 539	8 862 798

The Municipality has a Fleet card facility of R20 000 with ABSA bank.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank - Current Account - (Account No. 40-7030-7030)	346 607	-	149 428	344 929	-	608 858
ABSA Bank - Current Account - (Account No. 92-2871-4535)	1 350	62 671	6 411 951	1 350	62 671	5 834 351
ABSA Bank - Current Account - (Account No. 40-7512-6489)	-	96 948	104 789	-	96 948	104 789
ABSA Bank - Current Account - (Account No. 40-7722-5487)	-	140 415	110 098	-	140 415	110 098
Standard Bank - 048873772-001	4 801	5 014 476	-	4 801	5 014 476	-
Standard Bank - 041879171	222 639	3 542 437	-	238 757	3 572 732	-
Traffic Bank Account - 063362309	35 013	-	-	35 013	-	2 507
Petty Cash & Float	97 686	1 784	-	97 689	1 784	1 724
Traffic Account	-	-	-	-	(26 228)	-
Total	708 096	8 858 731	6 776 266	722 539	8 862 798	6 662 327

Thembelihle Local Municipality

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Notes to the Financial Statements

Figures in Rand	2015	2014
15. Finance lease obligation		
Minimum lease payments due		
- within one year	702 431	724 070
- in second to fifth year inclusive	20 296	669 290
	<u>722 727</u>	<u>1 393 360</u>
less: future finance charges	(28 868)	(110 981)
Present value of minimum lease payments	693 859	1 282 379
Present value of minimum lease payments due		
- within one year	674 495	637 720
- in second to fifth year inclusive	19 364	644 659
	<u>693 859</u>	<u>1 282 379</u>
Non-current liabilities	19 364	644 659
Current liabilities	674 495	637 720
	<u>693 859</u>	<u>1 282 379</u>

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the prime interest rate was 9% (2014: 9%).

Interest rates are fixed at the contract date. Certain leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand:

Rand	693 859	1 282 379
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The fair value of finance lease liabilities approximates their carrying amounts.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	5 507 503	10 954 624
Library Grant	846 435	249 870
Expanded Public Works Programme	431 480	251 610
Municipal Systems Infrastructure Grant	-	59
Integrated National Electricity Programme	38	164 038
	<u>6 785 456</u>	<u>11 620 201</u>

Movement during the year

Balance at the beginning of the year	11 620 200	7 269 148
Additions during the year	18 647 878	20 218 528
Income recognition during the year	(23 482 622)	(15 867 475)
	<u>6 785 456</u>	<u>11 620 201</u>

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

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16. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 31 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Other financial liabilities

At amortised cost

DBSA Loans Non Current	4 729 714	5 537 753
DBSA Loans Current	412 671	60 552
	5 142 385	5 598 305

Total other financial liabilities

5 142 385	5 598 305
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DBSA Loans are repayable on a quarterly basis at R178 663 with an interest charge of 14.76% per year. The loan will be fully repaid in March 2024.

Non-current liabilities

At amortised cost	4 729 714	5 537 753
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Current liabilities

At amortised cost	412 671	60 552
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Financial Statements for the year ended 30 June 2015

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18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	6 373 026	1 159 073	7 532 099

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	5 956 100	416 926	6 373 026
Non-current liabilities		-	743 000
Current liabilities		7 532 099	5 630 026
		7 532 099	6 373 026

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Neither one of the two Landfill sites are registered as official dumping sites and are therefore operated without a permit. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2015.

The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2015. As the closure date is estimated to be at year end, no discount rates were applied.

A new Landfill site is under construction at 30 June 2015 and remains unused as the site has not yet been licensed.

19. Third Party Collections

The Liability is due to collections on behalf of the Department of safety on which the Municipality earns a 12% commission. During previous financial periods the balances, 88% of the collections, were not paid over to the Department of safety. The balance payable to the Department of safety due to these non-payments is R1 261 378 (2014: R1 139 914)

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20. Long Service Awards

The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Opening Balance	865 000
Current-service cost	95 000
Interest cost	69 000
Actuarial (Gain)/Loss	90 672
Employee Benefit vestings	<u>-122 000</u>
Closing Balance	997 672
Current Portion	108 722
Non-Current Portion	888 950

Key Financial Assumptions:

Discount rate:	8.07% p.a
General Salary Inflation:	7.11% p.a
Net effective discount rate:	0.89% p.a

The discount rate used is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 1.37%. These rates do not reflect any adjustment for taxation. These rates were deducted from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

Salary inflation rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.11% was obtained from the differential between market yields on index-linked bonds (1.37%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.07%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.07\%-0.50\%)/(1+1.37\%))-1$

Thus, a general salary inflation rate of 7.11% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.89%.

It has been assumed that the next salary increase will take place on 1 July 2016.

Key Demographic assumptions:

Average retirement age:		63 years	
Mortality during employment:		SA 85-90	
Withdrawal from service (Sample annual rates)	Age	Rate	Rate
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	1%	1%

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20. Long Service Awards (continued)

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Salary Scale: The annual inflation rates below are in addition to the General Salary Inflation assumption of 7.11% per annum for all employees.

Promotional salary scale

Age band	Additional promotional scale
20 – 25	5.0%
25 – 30	4.0%
30 – 35	3.0%
35 – 40	2.0%
40 – 45	1.0%
> 45	0.0%

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:

The normal retirement age is 65. It has been assumed that employees will retire at age 63 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Sample withdrawal rates

Age	Females	Males
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
> 55	1%	1%

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		0.998	
General salary inflation	+1%	1.068	7%
	-1%	0.934	-6%
Discount Rate	+1%	0.931	-7%
	-1%	1.074	8%
Average retirement age	-2 yrs	0.927	-7%
	+2 yrs	1.072	7%
Withdrawal rates	-50%	1.193	20%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than the results shown.

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2015

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		95,000	69,000	164,000	
General salary inflation	+1%	104,000	75,000	179,000	9%
	-1%	87,000	64,000	151,000	-8%

Thembelihle Local Municipality

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20. Long Service Awards (continued)

Withdrawal rate	+20%	87,000	65,000	152,000	-7%
	-20%	103,000	74,000	177,000	8%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2016

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		118,500	76,200	194,700	
General salary inflation	+1%	129,100	81,800	210,900	8%
	-1%	109,000	71,100	180,100	-7%
Discount Rate	+1%	109,600	79,600	189,200	-3%
	-1%	128,500	72,100	200,600	3%
Average retirement age	-2 yrs	110,500	70,500	181,000	-7%
	+2 yrs	125,100	82,200	207,300	6%
Withdrawal rates	-50%	154,200	91,900	246,100	26%

History of liabilities and assets

	30/06/2013	30/06/2014	30/06/2015
Accrued Liability	468,331	865,000	997,672
Fair value of plan asset	0	0	0
Surplus / (Deficit)	(468,331)	(865,000)	(997,672)

Past year and future projected Liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
Opening Accrued Liability	865,000	997,672	1,083,586
Current-service Cost	95,000	118,458	128,013
Interest Cost	69,000	76,178	82,179
Expected Benefit Vestings	*(122,000)	(108,722)	(132,215)
Total Annual Expense	42,000	85,914	77,977
Actuarial Loss / (Gain)	90,672		
Closing Accrued Liability	997,672	1,083,586	1,161,563

21. Payables from exchange transactions

Trade payables	28 181 746	18 086 182
Payments received in advanced	278 097	479 166
Staff Overpaid	17 187	17 187
Rental Deposits	2 770	4 989
Accrued leave pay	1 239 274	952 715
Accrued bonus	493 731	399 588
Unallocated deposits received	156 722	118 287
Other payables	4 115	187 206
Retention fees	2 888 971	3 096 196
	33 262 613	23 341 516

22. VAT payable

Tax refunds payables	111 760	2 490 894
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The Municipality reports to SARS on the cashflow basis and accounts for VAT on the accrual basis as required by GRAP. Therefore deferred VAT balances are as follow:

VAT receivable from SARS:	R1 589 062 (2014: R239 657)
Deferred VAT Claimable:	R3 402 577 (2014: R2 355 390)
Deferred VAT Payable:	-R5 183 256 (2014: -R5 085 942)

VAT incorrectly declared on Traffic fines: R 79 857 (2014: R0)

Thembelihle Local Municipality

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23. Consumer deposits

Rates	474 099	476 128
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24. Revenue

Service charges	16 230 103	15 174 507
Rental of facilities and equipment	433 232	304 422
Interest received (trading)	807 643	785 471
Licences and permits	20 358	21 773
Administration and management fees received	1	79
Commissions received	391 317	263 969
Discount received	458 676	-
Other income - (rollup)	602 695	381 383
Connection fees	74 796	28 283
Interest received - investment	390 984	662 951
Property rates	2 486 124	2 093 143
Informal Settlement Rates	112 539	195 706
Government grants & subsidies	45 592 233	33 842 715
Fines, Penalties and Forfeits	3 879 093	923 798
	71 479 794	54 678 200

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	16 230 103	15 174 507
Rental of facilities and equipment	433 232	304 422
Interest received (trading)	807 643	785 471
Licences and permits	20 358	21 773
Administration and management fees received	1	79
Commissions received	391 317	263 969
Discount received	458 676	-
Other income - (rollup)	602 695	381 383
Connection fees	74 796	28 283
Interest received - investment	390 984	662 951
	19 409 805	17 622 838

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	2 486 124	2 093 143
Informal Settlement Rates	112 539	195 706

Transfer revenue

Government grants & subsidies	45 592 233	33 842 715
Fines, Penalties and Forfeits	3 879 093	923 798
	52 069 989	37 055 362

25. Service charges

Sale of electricity	10 795 362	8 729 140
Sale of water	2 069 661	3 007 067
Sewerage and sanitation charges	2 249 844	2 244 953
Refuse removal	1 115 236	1 193 347
	16 230 103	15 174 507

During the current year an electricity tariff was incorrectly applied to a group of consumers. This resulted in an estimated loss of Revenue to an amount of R382 155. The Municipality has no intention of back-dating the billing of these consumers and the loss will be carried by the Municipality.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
26. Rental of facilities and equipment		
Premises		
Premises	402 175	286 738
Venue hire	27 545	17 684
	429 720	304 422
Facilities and equipment		
Rental of equipment	3 512	-
	433 232	304 422
27. Other revenue		
Administration and management fees received - third party	1	79
Commissions received	391 317	263 969
Discount received	458 676	-
Other income - (rollup)	602 695	381 383
Connection Fees	74 796	28 283
	1 527 485	673 714
28. Other income		
Garden & Sale of Gravel	70 271	12 353
Building Plans	73 100	19 796
Advertising	3 849	4 870
Enchroachments	103	71
Grave Plots	7 687	7 991
Insurance payouts	130 027	63 858
Diverse repayments from employees	283 869	178 992
Photostats & faxes	3 004	2 347
Sewerage obstructions	6 107	7 935
Tender Fees	14 650	73 543
Testing of meters	2 589	505
Valuation Certificates Issued	7 439	9 122
	602 695	381 383
29. Investment revenue		
Interest revenue		
Bank	390 984	662 951

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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30. Property rates

Rates received

Residential	2 862 513	2 689 183
Less: Income forgone	(376 389)	(596 040)
	2 486 124	2 093 143

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The valuation came into effect on July 2011. During the financial period ended 30 June 2015 a new valuation roll has been compiled which will come into effect in July 2015

Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions. During the 2014/15 financial period no alterations or subdivisions were noted.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Valuations

Residential	109 408 523	109 408 523
Commercial	27 067 500	27 067 500
State	19 210 450	19 210 450
Small holdings and farms	1 155 708 143	1 155 708 143
Released	32 531 350	32 531 350
	1 343 925 966	1 343 925 966

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2011. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September 2015 (30 September 2014). Interest at prime plus 1% per annum (2014: 10%)

The new general valuation will be implemented on 01 July 2015.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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31. Government grants and subsidies

Operating grants

Equitable share	16 735 000	15 565 001
Finance Management Grant (FMG)	1 496 403	1 650 000
National ACIP	-	3 350 849
Municipal System Implementation Grant (MSIG)	934 059	889 941
Expanded Public Works Programme (EPWP)	607 930	749 431
Library Grant	185 435	353 130
LG SETA Grant	33 878	38 827
Municipal Infrastructure Grant (MIG) Operating Portion	570 246	-
Regional Bulk Infrastructure Grant (RBIG) Operating portion	12 164	-
Treasury's contribution towards Audit Fees	1 848 954	1 617 900
	22 424 069	24 215 079

Capital grants

Municipal Infrastructure Grant (MIG)	16 170 874	4 681 724
Integrated National Electricity Programme (INEP)	-	269 643
Regional Bulk Infrastructure Grant (RBIG)	6 481 493	4 676 269
Expanded Public Works Programme (EPWP)	212 200	-
Finance Management Grant (FMG)	303 597	-
	23 168 164	9 627 636
	45 592 233	33 842 715

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	27 008 279	16 659 814
Unconditional grants received	18 583 954	15 565 001
	45 592 233	32 224 815

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as a local municipality. During the financial period an amount of R2 804 000 (2014: R2 651 000) was utilised as a refund on the unspent Municipal Infrastructure Grant balance.

All registered indigents receive a monthly subsidy of R 130 (2014: R 130), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	10 954 624	6 705 347
Current-year receipts	14 098 000	11 582 000
Conditions met - transferred to revenue	(16 741 121)	(4 681 723)
Refunded	(2 804 000)	(2 651 000)
	5 507 503	10 954 624

Conditions still to be met - remain liabilities (see note 16).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast lights, sewer and water purification infrastructure as part of the upgrading of previously disadvantaged areas. No funds have been withheld.

An amount of R2 804 000 (2014: R2 651 000) was withheld from the allocated Equitable share as a refund of unspent MIG funds from previous financial periods.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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31. Government grants and subsidies (continued)

All current year allocations were fully spent during the year and allocated to revenue under votes C311/N708/M001 and C540/N708/R001.

Library Grant

Balance unspent at beginning of year	249 870	603 000
Current-year receipts	782 000	-
Conditions met - transferred to revenue	(185 435)	(353 130)
	846 435	249 870

Conditions still to be met - remain liabilities (see note 16).

The grant was as part of a contribution towards the running of libraries i.e to cover operational costs.

The expenditure votes utilised during the financial period were 0303/4503/0000, 0403/3811/0000, 0403/4460/0000, 0403/4479/0000, 0403/4511/0000 and 0431/4503/0000.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	251 610	130 120
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(820 130)	(749 431)
Refunded	-	(129 079)
	431 480	251 610

Conditions still to be met - remain liabilities (see note 16).

The grants was received for the purpose of creating job opportunities. No funds have been withheld.

The expenditure votes utilised during the financial period included 0311/4371/0000 and 0501/4444/0000.

Finance Management Grant (FMG)

Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

The expenditure votes utilised during the financial period included 0201/4351/0000, 0203/4401/0000, 0301/4231/0000, 0301/4493/0000, 0431/4417/0000 and 8001/8005/8001.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	59	-
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 059)	(889 941)
	-	59

Conditions still to be met - remain liabilities (see note 16).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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31. Government grants and subsidies (continued)

The expenditure votes utilised during the financial period included 0201/4355/0000, 0301/4231/0000 and 0540/4523/0000.

Integrated National Electricity Programme (INEP)

Balance unspent at beginning of year	164 038	433 681
Conditions met - transferred to revenue	-	(269 643)
Refunded from Equitable Share	(164 000)	-
	38	164 038

Conditions still to be met - remain liabilities (see note 16).

The grants was paid to the municipality to promote rural development and upgrade the electricity infrastructure.

Regional Bulk Infrastructure Grant (RBIG)

Balance Receivable at beginning of year	(1 136 908)	-
Current-year receipts	5 121 420	3 539 361
Conditions met - transferred to revenue	(6 493 657)	(4 676 269)
	(2 509 145)	(1 136 908)

Conditions still to be met - remain liabilities (see note 16).

This Grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of infrastructure. The balance of expenditures meeting the conditions and will be claimable in the 2015-16 financial period totals R2 509 145.

The expenditure votes utilised during the financial period included C311/N708/M001 and C540/N708/R001.

Treasury's contribution towards Audit Fees

Treasury contribution	1 794 208	1 617 900
Conditions met - transferred to revenue	(1 794 208)	(1 617 900)
	-	-

According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor General equal to 1% of their total expenditures per annum. The balance of the audit fees are payable by Treasury.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
32. Employee related costs		
Basic	12 273 243	9 979 874
Commissions	526	-
Medical aid - company contributions	619 396	573 013
UIF	112 224	83 454
SDL	201 739	170 384
Other payroll levies	12 719	-
Leave pay provision charge	444 359	359 995
Defined contribution plans	629 000	703 000
Overtime payments	1 705 614	1 096 730
Long-service awards	22 903	396 669
13th Cheques	1 050 716	824 190
Car allowance	94 157	82 565
Housing benefits and allowances	29 103	18 451
Telephone Allowances	66 881	24 456
Pension fund contributions	1 919 625	1 572 866
Provident fund contributions	60 865	64 957
Stipends	163 500	128 500
Wages	557 572	324 518
Long-term benefits - incentive scheme	-	20
	19 964 142	16 403 642
Remuneration of municipal manager		
Annual Remuneration	575 318	540 984
Travel Allowance	152 344	140 128
Contributions to UIF, Medical and Pension Funds	112 006	105 779
	839 668	786 891
Remuneration of chief finance officer		
Annual Remuneration	554 288	137 063
Travel Allowance	106 617	25 575
Contributions to UIF, Medical and Pension Funds	108 142	26 806
Acting Allowance (Paid to manager in acting capacity)	-	169 506
	769 047	358 950
Remuneration of corporate services director		
Annual Remuneration	394 148	334 777
Travel Allowance	-	64 200
Contributions to UIF, Medical and Pension Funds	1 337	64 715
Leave pay-out	29 585	-
	425 070	463 692
The Position of Corporate Services Director was vacant from 1 July 2014 to 30 November 2014. No acting allowance was paid during this time.		
Remuneration of technical services director		
Annual Remuneration	116 990	465 463
Travel Allowance	52 875	210 372
Telephone allowance	3 750	14 920
Contributions to UIF, Medical and Pension Funds	2 190	8 347
Leave pay-out	13 889	-
	189 694	699 102

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
32. Employee related costs (continued)		
The position of Technical Services Director has been vacant since 1 October 2014. The roll of technical services director has been contracted out to OJM Construction services at a monthly fee of R60 000 since January 2015.		
33. Remuneration of councillors		
Executive Mayor (Total Package)	673 386	624 474
Councillors (Total Packages)	1 824 667	1 324 322
	2 498 053	1 948 796
34. Administrative expenditure		
Administration and management fees	14 587	34 836
35. Depreciation and amortisation		
Property, plant and equipment	8 778 309	8 085 926
Intangible assets	157 986	135 004
	8 936 295	8 220 930
36. Finance costs		
Non-current borrowings	140 069	9 772
Trade and other payables	2 078 288	940 174
Finance leases	98 637	136 432
Increase in Rehabilitation Provision	1 159 073	-
	3 476 067	1 086 378
37. Debt impairment		
Debt Impairment	6 689 570	4 483 320
The debt impairment indicated above includes both the impairments on Current and Non-Current Debtors.		
The Impairment movement is made up as follow:		
Opening Balance (Current & Non-Current):	R 45 165 213	
Bad debt written off (Consumers)	R -357 919	
Bad debt written off (Traffic fines)	R -13 100	
Provision on Non-Current Debtors	R 1 323 654	
Provision on Current Debtors	R 2 435 763	
Provision on Traffic fines	R 2 930 153	
Closing balance (Current & Non-Current):	R 51 483 764	
38. Bulk purchases		
Electricity	10 031 367	9 203 138
Water	340 642	368 648
	10 372 009	9 571 786
39. Contracted services		
Specialist Services	18 346	38 168
Other Contractors	73 185	25 643
	91 531	63 811

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
40. General expenses		
Advertising	160 128	154 617
Auditors remuneration	2 481 291	1 284 284
Bank charges	74 057	90 130
Consulting and professional fees	2 617 432	1 835 415
Consumables	106 123	56 843
Debt collection	146 140	-
Delivery expenses	18 598	5 284
Donations	3 253	15 555
Entertainment	3 146	9 601
Flowers	289	-
Insurance	252 646	488 479
Motor vehicle expenses	523 792	734 169
Fuel and oil	492 122	589 030
Postage and courier	66 056	79 615
Printing and stationery	379 414	330 200
Protective clothing	26 713	56 992
Project maintenance costs	65 206	501 652
Royalties and license fees	600 958	290 046
Staff welfare	8 560	10 997
Subscriptions and membership fees	588 672	386 151
Telephone and fax	312 863	231 715
Training	67 000	277 751
Electricity	690 016	618 509
Refuse	5 407	4 825
Free Basic Services	1 420 991	1 041 926
Special Programs	233 415	198 479
Subsistence and Traveling	1 544 549	1 357 730
TVS	279 118	764 347
Chemicals	364 082	683 936
	13 532 037	12 098 278
41. Fair value adjustments		
Investment property (Fair value model)	651 910	576 890
42. Auditors' remuneration		
Fees	2 481 291	1 284 284
43. Operating lease		
The Municipality rents equipment used in bathroom facilities on an operating lease basis. The contract commenced in December 2014 and is renewable on an annual basis.		
<ul style="list-style-type: none"> The rent payable on a monthly basis amounts to R2 190. No escalation clauses exists and the contract is renewable after a year. Future rent payable: 		
Amount payable within 1 year:	R10 950	
Amount payable from 2 to 5 years:	R 0	
Amount payable after 5 years:	R 0	

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
44. Cash generated from operations		
Surplus	3 039 896	1 120 031
Adjustments for:		
Depreciation and amortisation	8 936 295	8 220 930
Gain (loss) on sale of assets and liabilities	192 531	(182 907)
Fair value adjustments	(651 910)	(576 890)
Finance costs	392 525	136 432
Debt impairment	6 689 570	4 483 320
Fines & Other Income Received	-	465 797
Movements in retirement benefit assets and liabilities	259 582	(2 809 000)
Donations & Discounts	(2 307 630)	(1 617 900)
Amortisation	-	135 004
Finance costs	-	60 722
Movement in Provisions	1 286 640	813 595
Equitable share withheld	(2 804 000)	(2 651 000)
Interest on Receivables	(390 985)	(662 951)
Changes in working capital:		
Inventories	143 298	(13 994)
Receivables from exchange transactions	(8 685 607)	(6 409 993)
Consumer debtors	(503 416)	869 799
Payables from exchange transactions	12 350 189	3 981 017
VAT	(2 379 134)	(1 748 469)
Unspent conditional grants and receipts	(2 030 744)	7 002 053
Consumer deposits	(2 029)	(102 896)
Movement in Provisions	-	721 891
	13 535 071	11 234 591

45. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	2 880 371	2 880 371
Other receivables from non-exchange transactions	3 543 284	3 543 284
Cash and cash equivalents	722 539	722 539
Payments made in advance	17 460	17 460
Other Receivables	671 117	671 117
	7 834 771	7 834 771

Financial liabilities

	At amortised cost	At cost	Total
Finance Leases	693 859	-	693 859
Other financial liabilities	5 142 385	-	5 142 385
Trade and other payables from exchange transactions	-	33 262 613	33 262 613
VAT payable	-	111 760	111 760
Consumer Deposits	-	474 099	474 099
Unspent Grants	-	6 785 456	6 785 456
Third Party Collections	-	1 261 378	1 261 378
	5 836 244	41 895 306	47 731 550

2014

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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Financial instruments disclosure (continued)

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	2 726 093	2 726 093
Other receivables from non-exchange transactions	1 597 879	1 597 879
Other Receivables	167 701	167 701
Cash and cash equivalents	8 862 798	8 862 798
Payments made in advance	104 548	104 548
	13 459 019	13 459 019

Financial liabilities

	At amortised cost	At cost	Total
Finance Leases	1 282 379	-	1 282 379
Other financial liabilities	5 598 305	-	5 598 305
Trade and other payables from exchange transactions	-	23 341 516	23 341 516
VAT payable	-	2 490 894	2 490 894
Consumer Deposits	-	476 128	476 128
Unspent Grants	-	11 620 201	11 620 201
Third Party Collections	-	1 139 914	1 139 914
	6 880 684	39 068 653	45 949 337

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	15 536 567	24 120 214
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	79 558 609	91 877 260
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Total capital commitments

Already contracted for but not provided for	15 536 567	24 120 214
Not yet contracted for and authorised by accounting officer	79 558 609	91 877 260
	95 095 176	115 997 474

Total commitments

Total commitments

Authorised capital expenditure	95 095 176	115 997 474
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, government grants, funds internally generated, etc.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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47. Contingencies

Contingent Liabilities

Landfill sites

The Municipality currently have two active landfill sites. It has been identified that the landfill sites situated in Hopetown and Strydenburg are not licensed as required by the National Environmental Management Waste Act, 2008, (Act no 59 of 2008).

In accordance with section 68(1) of the National Environmental Management Waste Act, 2008, (Act no 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 year, or to both such fine and imprisonment, in addition to any other penalty or award that may be imposed or made.

Environmental Act -

In terms of the Environmental Act, the municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This gives rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financially and the number of occurrences, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the department of environmental affairs as a result of illegal dumping by municipal employees.
- penalties relating to raw sewerage or sewerage not properly treated being released to nearby rivers or dams.
- penalties relating to lack of proper security at the municipality's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in a certain specific way so as to avoid related health hazards e.g. medical waste.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
48. Related parties		
Relationships		
Accounting Officer	Maikaelelo mining, Lorabi 23, Ledig Investments, Mahlasedi Investment Holdings, Mosogoli Trading and Investments, Meriting Investments, Squires Kimberley, JMPLC Investment Holdings, City Square Trading, Swanvest, Leitlho Investments, Theta Mining and Samber trading	
Members of key management	NE Mguye - NM Vegetation G Butterworth - Angelfish Investments DA Jonas - Thembelihle Bricks B Mpamba - Thembelihle Bricks	
Related party balances		
Accounts included in Trade Receivables regarding related parties		
Jonas DA	45 005	58 646
De Bruin E	-	672
Louw P	319	(369)
Humphreys MA	113 244	108 400
Mpamba B	218	-
Madekane SE	45	(609)
Rent received from related parties		
Lidia Walters	19 670	16 619
Linda van Wyk	19 670	18 130
Solly Dwango	8 783	8 095
NP Mqokosa	2 218	18 692
Tania Gorrah	15 518	14 302
SF Yekani	10 811	13 320
SK Burger	3 844	-
N Sindelo	1 108	-
T Mzuzu	1 108	-
R Goaya	671	-
Provision for bad debt		
Jonas DA	13 726	4 290
Humphreys MA	97 676	108 430
Mpamba B	219	-
De Bruin E	-	39 293
Louw P	-	39 656
Compensation to Council Members	Total Package	Closing balance
SE Madekane	293 731	293 731
B Mpamba	289 774	289 774
E De Bruin	295 218	295 218
P Louw	292 780	292 780
A Kywe	298 180	298 180
MA Humphreys	298 461	298 461
	1 768 144	1 768 144
Compensation to accounting officer and other key management		
Accounting Officer - M Mogale	839 668	786 891
Chief Financial Officer - G Butterworth	769 047	358 950
Corporate Services Director - NE Mguye	425 070	463 692
Technical Services Director - ER Painting	189 694	699 102
Mayor - DA Jonas	673 386	624 474

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
48. Related parties (continued)	2 896 865	2 933 109

49. Change in accounting policy

Property, plant and equipment

The accounting policy relating to land and buildings has been changed to account for land at historical cost with no depreciation as it is deemed to have an indefinite useful life and buildings at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful life of certain items of property plant and equipment have been revised (Change in Estimate) as follow:

Infrastructure	2013/14	2014/15
Roads & Paving	45 to 50 years	5 to 80 years
Electricity	45 to 50 years	5 to 50 years
Water	15 to 100 years	10 to 100 years
Sewerage & Solid waste	15 to 100 years	10 to 60 years
Sanitation	n/a	1 to 100 years.
Community		
Community facilities	30 to 100 years	30 years
Recreational facilities	15 to 60 years	15 to 30 years
Security	5 years	n/a
Other assets		
Computer Equipment	n/a	5 to 10 years
Emergency Equipment	n/a	10 years
Furniture & Fittings	7 to 10 years	5 to 15 years
Motor vehicles	5 to 20 years	7 to 15 years
Office equipment	3 to 7 years	5 to 15 years
Pant & Equipment	2 to 15 years	5 to 15 years
Landfill sites	10 to 65 years	n/a - decomissioned
Water craft	15 years	n/a
Bins & Containers	5 years	n/a
Intangible assets		
Computer Software	3 to 7 years	3 years

The effect of this revision has increased the depreciation charges for the current and future periods by R 104 375

Revaluation Reserve

The revaluation of Investment properties are accounted for through the Statement of Financial performance and no Revaluation reserve is accumulated.

The impact is that the Revaluation Reserve, has been written down to zero.

The Revaluation Reserve written off amounts to R31 453 356

Rehabilitation of landfill sites

The provision on the rehabilitation of landfill sites were re-assessed and it was found that the sites were operated illegally. The change in estimate was to adjust the expected lifetime of remaining usage to zero. A fully licensed Landfill site was constructed and only needs licensing before it will be used instead of the illegal dumping site. Therefore the provision was calculated to determine the closure costs as at 30 June 2015.

The effect of the change in estimate was to increase the provision in the current year by R1 159 073

50. Prior period errors

A number of of accounts were re-stated in the comparative amounts of the financial statements due to prior period errors. Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014						
50. Prior period errors (continued)								
Grants Receivable:	Expenditures incurred during the 2013/14 financial period, that met the conditions of the RBIG grant, were not accounted for as revenue and the receivable was also not accounted for.							
Receivables from Non-Exchange:	The bad debt provision for the 2013/14 financial period was recalculated and the adjustment made in the comparatives. There was also a reclassification from current to the non-current receivables.							
VAT Payable/Receivable:	A reconciliation was done on the VAT balance for both financial periods and adjustments made. The Municipality had accumulated accounts for VAT claimable and VAT payable from previous years that were not accounted for to the VAT control account. VAT pay-outs received from SARS were also not accounted for to the VAT control account. After the reconciliation it was ensured that the deferred VAT claimable balance agrees to the VAT included in the Creditors balances, the deferred VAT payable agrees to the VAT included in the Receivables balances and that the VAT control account agrees to the VAT statement of account at year end including any reconciling items.							
Pre-Payments:	In the previous financial period a payment was made to a supplier in excess of an invoiced amount. The Pre-payment was not accounted for.							
Other Receivables:	During the previous financial period a court order was made to receive an amount from a previous employee. The receivable amount was not accounted for.							
Receivables from Exchange:	Differences were identified between the General Ledger and the Receivables reports from the previous financial period. These were corrected to ensure the Financial statements agree to the reports. The bad debt provision for the 2013/14 financial period was also re-calculated and the adjustments made. Receivables were also re-classified from current to non current receivables.							
Cash and Cash Equivalents:	The cash & cash equivalents balance for the 2013/14 financial period included a suspense vote that did not relate to cash & cash equivalents. The vote was correctly mapped for the 2014/15 financial period. Revenue from Traffic fines were also incorrectly accounted for to Cash Suspense accounts.							
Property, Plant & Equipment:	<p>The fixed asset register of the Municipality was completely overhauled retrospectively and the adjustments were made to the financial statements accordingly. Errors relating to the period prior to 30 June 2014 amounts to R18 084 740, changes to the 2013/14 movements were as follow:</p> <table><tr><td>Additions:</td><td>-R 748 293</td></tr><tr><td>Depreciation:</td><td>R2 532 370</td></tr><tr><td>Disposals:</td><td>-R 183 944</td></tr></table> <p>The total adjustment to the carrying value of Property, Plant and Equipment as at 30 June 2014 amounts to R19 684 873.</p>		Additions:	-R 748 293	Depreciation:	R2 532 370	Disposals:	-R 183 944
Additions:	-R 748 293							
Depreciation:	R2 532 370							
Disposals:	-R 183 944							
Long term debtors:	The comparative amounts for the debtors included under the option1 and option2 settlement agreements with the municipality was incorrectly accounted for. The options relate to settlement agreements with Consumer receivables to settle outstanding accounts over a period of three years. The non-current portion was not accurately calculated.							

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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50. Prior period errors (continued)

Finance Lease obligation:	The starting date of a number of finance leases were incorrectly accounted for.
Trade and other payables:	The salary control account balance for the 2013/14 financial period was misstated and no support existed for a portion of the balance. The unsupported balance was corrected through accumulated surplus. Retention fees accumulated as at 30 June 2014 was also not accounted for as a payable. Accrued Bonuses and Leave was incorrectly disclosed as separate line items on the face of the statement of financial position, this was corrected to be included under the payables amount.
Third Party collections:	A statement received from the department of safety indicated that the balance disclosed in the comparatives of the financial statements, was misstated. This was corrected to disclose the correct balance.
Accumulated surplus:	The corrections mentioned above affected the balance of the accumulated surplus.
Government Grants & Subsidies:	In the 2013/14 financial period Equitable share withheld as a refund to the unspent Municipal Infrastructure Grant balance was incorrectly accounted for directly to accumulated surplus. This was corrected to account for the Equitable share revenue. Expenditures meeting the conditions to the Regional Bulk Infrastructure Grant was not accounted for in the 2013/14 financial period.
Other Income:	The adjustment to other income relate to the court order receivable as mentioned above under Other receivables.
Employee costs:	An amount relating to employee costs was incorrectly included under the trade payables. The Actuarial gain was incorrectly accounted for against employee costs. This has been corrected in the comparative amounts.

Cash flow statement changes will directly relate to the changes made as mentioned above.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	19 684 873
Investment Property	-	1 644 387
Receivables from Non-Exchange	-	479 813
Intangible assets	-	(3 583)
VAT Receivable	-	(4 982 005)
Pre-Payments	-	104 548
Other Receivables	-	167 701
Receivables from Exchange	-	949 745
Cash & Cash Equivalents	-	454 389
Long-term Debtors	-	438 559
Finance Lease Obligation	-	(4 634)
Trade and Other Payables	-	(3 379 598)
VAT Payable	-	303 889
Third Party Collections	-	250 087
Consumer Deposits	-	(85 309)
Accumulated Surplus	-	(47 476 221)
Revaluation Reserve	-	31 453 356

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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50. Prior period errors (continued)

Statement of Financial Performance

Depreciation expense	-	(2 535 559)
Government grants & subsidies	-	(5 022 412)
Traffic fines	-	(458 001)
Rental of facilities & equipment	-	1 656
Other Income	-	(167 701)
Proceeds from scrapped assets	-	133 231
Fair Value Adjustments	-	(576 890)
Employee cost	-	23 745
Bad Debt Provision	-	(370 262)
Repairs & Maintenance	-	7 765
General Expenses	-	178 943

51. Comparative figures

Certain comparative figures have been reclassified as a direct effect from the different outlay of the statement of financial performance.

The effects of the reclassification are as follows:

Statement of financial position

Receivables from Non-Exchange	-	933 252
VAT Receivable	-	2 794 537
Receivables from Exchange	-	8 023
Cash & Cash Equivalents	-	2 376
Long Term Debtors	-	(941 031)
Trade and other Payables	-	(1 352 609)
VAT Payable	-	(2 794 783)
Accrued Bonus	-	399 588
Accrued Leave	-	952 715
Accumulated Surplus	-	(2 068)

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
51. Comparative figures (continued)		
Statement of Financial Performance		
Rendering of Services	-	(827 603)
Interest received on accounts	-	(116 429)
Licenses & Permits	-	231 442
Government grants & subsidies	-	(38 829)
Building Plans	-	13 491
Administration Income	-	(79)
Departmental Electricity	-	833 908
Insurance Claims	-	63 858
Graves	-	7 991
SETA	-	38 827
Other Income	-	(174 403)
Miscellaneous Income	-	9 294
Tender Fees	-	73 543
Proceeds from scrapped assets	-	(84 850)
Interest Received	-	(3 127)
Actuarial Gains	-	(2 809 000)
Employee Costs	-	1 168 902
Councillors Remuneration	-	1 948 796
Administration	-	34 836
Depreciation, Impairments & Amortisation	-	(4 768 731)
Bad Debt Provision	-	4 853 581
Bulk Purchases	-	(217 158)
Finance Costs	-	121 643
Operating leases	-	48 501
Repairs & Maintenance	-	(820 129)
Contracted Services	-	63 811
General Expenditures	-	810 797

52. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council and the finance committee which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from National and Provincial government which helps to ease the pressure of any liquidity crisis.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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52. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the policy. Trade Receivables are presented net of an allowance for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from exchange transactions	2 880 371	2 726 093
Receivables from Non-exchange transactions	3 519 861	1 597 897
Other Receivables	671 117	167 701
Pre Payments	17 460	104 548

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2015 and 2014, the municipality's borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.00 %	3 459 392	455 117	-	-	-
Grant Receivable	- %	2 509 146	-	-	-	-
Pre-Payments made	- %	17 460	-	-	-	-
Other Receivables	- %	671 117	-	-	-	-
Cash in current banking institutions	- %	722 539	-	-	-	-
Trade and other payables	- %	33 262 613	-	-	-	-
Loan from DBSA	15.00 %	412 671	616 784	521 369	547 560	3 000 955
Finance leases	9.00 %	674 495	19 364	-	-	-
Third party collections	- %	1 261 378	-	-	-	-

53. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated deficits of R 176 819 769 and that the municipality's total liabilities exceed its assets by R 176 819 769.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

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Figures in Rand	2015	2014
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53. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality currently survives on Grants received from National and Provincial government.

The following matters has been considered relating to the going concern:

- Council approved the budget for the 2015/16 to 2017/18 budget. This three year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the three year period.
- The Municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- The Municipality's cash management was under pressure during the 2014/15 financial period due to an amount of R2.8 million being withheld from the Equitable share receivable. R2.8 million was withheld due to Municipal Infrastructure Grants and Integrated National Electricity Grants that were not utilised in the past.

54. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

55. Unauthorised expenditure

Unauthorised expenditure	19 308 681	6 702 213
Unauthorised expenditure current year	14 904 549	12 606 468
	34 213 230	19 308 681

56. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	2 585 057	1 614 555
Current year	2 197 714	970 502
	4 782 771	2 585 057

Interest charges on overdue accounts: The Municipality was charged for interest on outstanding accounts. The main creditors that charged interest consist of:

Eskom: R1 379 077

Auditor General's office: R 678 373

57. Irregular expenditure

Opening balance	66 433 964	51 466 647
Add: Irregular Expenditure - current year	7 416 312	14 967 317
	73 850 276	66 433 964

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand		2015	2014
57. Irregular expenditure (continued)			
Analysis of expenditure awaiting condonation per age classification			
Current year		7 416 312	14 967 317
Details of irregular expenditure – current year			
	Disciplinary steps taken/criminal proceedings		
SEBATA - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		481 600
SIMLAB - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		117 789
Explosive design - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		7 550
Worley Parsons - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		2 388 794
URSA Civils - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		1 490 604
PCI Africa - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		341 392
HT Peletona - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		772 729
Dihlase Consulting - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		22 734
Bright Idea - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		237 701
Agriculture mining - No contractual agreement available	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		2 620
Subsistence & Traveling - During the audit of the 2013/14 financial period, it was found by the office of the Auditor General that subsistence and travelling allowances should be pre-approved before travelling for business purposes or other matters relating to the Municipality. The Municipality's procedures throughout the 2013-14 and 2014-15 financial period was to submit S&T claims to the Head of departments that was then approved for payment. Pre-authorisation is done verbally for travelling and no proof of such authorisation can therefore be obtained. Therefore post authorisation has been found to be non-effective by the office of the auditor general and therefore qualifies as Irregular expenditures.	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.		1 552 799
		7 416 312	

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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57. Irregular expenditure (continued)

Deviated expenditures

Expenditures where deviations occurred	Expenditures were incurred where the SCM regulations were not followed and a deviation was applied and approved.	2 394 636
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58. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	6 599 287	7 008 644
Current year subscription / fee	3 416 066	1 284 284
Amount paid - current year	(50 000)	(75 741)
Amount paid - Treasury Contribution	(1 794 208)	(1 617 900)
Closing Balance	8 171 145	6 599 287

PAYE and UIF

Opening balance	38 345	-
Current year subscription / fee	2 778 032	1 792 665
Amount paid - current year	(2 778 032)	(1 754 321)
Amount paid - previous years	(38 538)	-
Closing Balance	(193)	38 344

Pension and Medical Aid Deductions

Current year subscription / fee	2 936 048	2 669 777
Amount paid - current year	(2 934 020)	(2 669 777)
	2 028	-

VAT

VAT payable	111 760	2 490 894
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VAT output payables and VAT input receivables are shown in note 22.

Not all VAT returns have been submitted by the due date throughout the year.

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Jonas DA	1 675	43 329	45 004
Councillor Humphreys MA	1 230	112 014	113 244
Councillor Madikana SE	45	-	45
Councillor Louw P	319	-	319
	3 269	155 343	158 612

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Jonas DA	12 270	46 376	58 646
Councillor Humphreys MA	13 102	95 298	108 400
Councillor De Bruin E	672	-	672
Councillor Louw P	3	-	3
	26 047	141 674	167 721

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Councillor Jonas DA	43 329	90
Councillor Humphreys MA	112 014	90
	155 343	180

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor Humphreys MA	95 945	90
Councillor Jonas DA	46 478	90
	142 423	180

59. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	5 142 385	5 598 305
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

60. Distribution Losses - Water

Water units available for sale (kl)	1 286 265	1 326 850
Water units sold (kl)	(541 937)	(643 038)
Units lost (kl)	744 327	683 812
Average cost per unit (R)	7.14	6.21
Total loss in Rand Value	5 314 493	4 246 472

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2015

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Figures in Rand	2015	2014
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60. Distribution Losses - Water (continued)

Distribution losses relates to unaccounted water distributed. The foregoing costs, which represents 58% (2014: 52%) of the water purchases for the year, has been included in bulk purchases. The level of the distribution losses are not within the acceptable norms.

61. Distribution Losses - Electricity

Units bought (kwh)	9 903 629	10 071 994
Units sold (kwh)	(6 070 724)	(5 871 595)
Units lost (kwh)	3 832 905	4 200 399
Highest Rate (R)	1.69	1.57
Total loss in Rand Value	6 477 610	6 594 626

Distribution losses relates to unaccounted electricity distributions. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 39% (2014: 42%) of the electricity purchases for the year, has been included in bulk purchases. The level of the distribution losses are not within the acceptable norms.

Thembelihle Local Municipality

Appendix A

June 2015

Un-audited Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA Loan 1	61000547	March 2024	1 761 589	43 229	30 000	1 774 818	-
DBSA Loan 2	61000548	March 2024	3 776 164	92 988	447 327	3 421 825	-
DBSA Loan 3	61002019	Redeemed	53 346	2 449	113 249	(57 454)	-
DBSA Loan 4	61002751	Redeemed	7 206	1 403	5 414	3 195	-
			-	-	-	-	-
			5 598 305	140 069	595 990	5 142 384	-
Lease liability							
Leases	All Finance Leases		1 282 379	177 317	763 451	696 245	981 236
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			1 282 379	177 317	763 451	696 245	981 236
Total external loans			6 880 684	317 386	1 359 441	5 838 629	981 236

June 2015

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
7 227 066	-	-	-	-	7 227 066	-	-	-	-	7 227 066
5 642 622	-	-	-	-	5 642 622	(2 689 959)	-	(188 087)	(2 878 046)	2 764 576
12 869 688	-	-	-	-	12 869 688	(2 689 959)	-	(188 087)	(2 878 046)	9 991 642
7 423 848	-	-	801 427	-	8 225 275	(2 634 488)	-	(291 053)	(2 925 541)	5 299 734
2 292 490	-	-	-	-	2 292 490	(1 062 534)	-	(91 700)	(1 154 234)	1 138 256
4 731 674	-	-	-	-	4 731 674	(1 135 727)	-	(101 667)	(1 237 394)	3 494 280
6 983 294	-	-	252 567	-	7 235 861	(1 212 115)	-	(143 790)	(1 355 905)	5 879 956
7 287 417	-	-	386 500	-	7 673 917	(3 832 916)	-	(265 710)	(4 098 626)	3 575 291
102 824	-	-	-	-	102 824	(53 318)	-	(2 056)	(55 374)	47 450
48 655 695	-	-	-	-	48 655 695	(17 371 216)	-	(2 319 838)	(19 691 054)	28 964 641
701 178	-	-	-	-	701 178	(359 116)	-	(24 457)	(383 573)	317 605
3 175 851	-	-	-	-	3 175 851	(1 707 020)	-	(39 698)	(1 746 718)	1 429 133
6 795 105	-	-	-	-	6 795 105	(3 413 740)	-	(174 265)	(3 588 005)	3 207 100
45 344 113	-	-	-	-	45 344 113	(12 219 590)	-	(824 438)	(13 044 028)	32 300 085
3 254 080	-	-	11 164	-	3 265 244	(1 286 245)	-	(108 252)	(1 394 497)	1 870 747
45 210	-	-	-	-	45 210	(22 358)	-	(1 193)	(23 551)	21 659
35 954 140	-	-	-	-	35 954 140	(18 987 753)	-	(787 024)	(19 774 777)	16 179 363
71 368 695	-	-	27 568 975	-	98 937 670	(18 091 830)	-	(2 295 576)	(20 387 406)	78 550 264
33 818 374	19 828 872	-	(29 020 633)	-	24 626 613	-	-	-	-	24 626 613
277 933 988	19 828 872	-	-	-	297 762 860	(83 389 966)	-	(7 470 717)	(90 860 683)	206 902 177

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Leased assets											
Office Equipment	2 583 867	71 466	(313 284)	-	-	2 342 049	(1 157 069)	197 477	(403 536)	(1 363 128)	978 921
	2 583 867	71 466	(313 284)	-	-	2 342 049	(1 157 069)	197 477	(403 536)	(1 363 128)	978 921
Specialised vehicles											
Other assets											
General vehicles	1 171 600	-	(81 900)	-	-	1 089 700	(205 889)	8 795	(71 227)	(268 321)	821 379
Plant & equipment	752 571	166 126	-	-	-	918 697	(178 516)	-	(158 186)	(336 702)	581 995
Furniture & Fittings	915 255	54 203	-	-	-	969 458	(274 283)	-	(123 205)	(397 488)	571 970
Office Equipment	1 668 288	404 103	-	-	-	2 072 391	(429 455)	-	(308 418)	(737 873)	1 334 518
Emergency Equipment	302 908	2 776	-	-	-	305 684	(94 184)	-	(54 931)	(149 115)	156 569
	4 810 622	627 208	(81 900)	-	-	5 355 930	(1 182 327)	8 795	(715 967)	(1 889 499)	3 466 431

June 2015

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
12 869 688	-	-	-	-	12 869 688	(2 689 959)	-	(188 087)	(2 878 046)	9 991 642
277 933 988	19 828 872	-	-	-	297 762 860	(83 389 966)	-	(7 470 717)	(90 860 683)	206 902 177
2 583 867	71 466	(313 284)	-	-	2 342 049	(1 157 069)	197 477	(403 536)	(1 363 128)	978 921
4 810 622	627 208	(81 900)	-	-	5 355 930	(1 182 327)	8 795	(715 967)	(1 889 499)	3 466 431
298 198 165	20 527 546	(395 184)	-	-	318 330 527	(88 419 321)	206 272	(8 778 307)	(96 991 356)	221 339 171
417 338	86 787	(3 825)	-	-	500 300	(142 627)	206	(157 986)	(300 407)	199 893
417 338	86 787	(3 825)	-	-	500 300	(142 627)	206	(157 986)	(300 407)	199 893
7 077 190	-	-	-	651 910	7 729 100	-	-	-	-	7 729 100
7 077 190	-	-	-	651 910	7 729 100	-	-	-	-	7 729 100
12 869 688	-	-	-	-	12 869 688	(2 689 959)	-	(188 087)	(2 878 046)	9 991 642
277 933 988	19 828 872	-	-	-	297 762 860	(83 389 966)	-	(7 470 717)	(90 860 683)	206 902 177
2 583 867	71 466	(313 284)	-	-	2 342 049	(1 157 069)	197 477	(403 536)	(1 363 128)	978 921
4 810 622	627 208	(81 900)	-	-	5 355 930	(1 182 327)	8 795	(715 967)	(1 889 499)	3 466 431
417 338	86 787	(3 825)	-	-	500 300	(142 627)	206	(157 986)	(300 407)	199 893
7 077 190	-	-	-	651 910	7 729 100	-	-	-	-	7 729 100
305 692 693	20 614 333	(399 009)	-	651 910	326 559 927	(88 561 948)	206 478	(8 936 293)	(97 291 763)	229 268 164

Analysis of property, plant and equipment as at 30 June 2015									
Cost/Revaluation					Accumulated depreciation				

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation				
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation				
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand

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Thembelihle Local Municipality

Appendix C

June 2015

Un-audited Segmental analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation **Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality									
Executive & Council/Mayor and Council	623 912	-	-	623 912	(234 740)	-	(121 545)	(356 285)	267 627
Finance & Admin/Finance	3 337 449	444 771	(313 284)	3 468 936	(1 235 379)	197 479	(535 829)	(1 573 729)	1 895 207
Planning and Development	9 967 431	415 231	(81 900)	10 300 762	(4 507 194)	8 795	(604 620)	(5 103 019)	5 197 743
Comm. & Social/Libraries and archives	18 238 007	133 908	-	18 371 915	(2 847 349)	-	(252 458)	(3 099 807)	15 272 108
Waste Water Management/Sewerage	48 598 193	11 164	-	48 609 357	(13 505 836)	-	(932 691)	(14 438 527)	34 170 830
Road Transport/Roads	59 476 756	2 656 403	-	62 133 159	(22 915 547)	-	(2 566 521)	(25 482 068)	36 651 091
Water/Water Distribution	136 490 370	15 812 073	-	152 302 443	(37 119 243)	-	(3 130 279)	(40 249 522)	112 052 921
Electricity /Electricity Distribution	21 466 044	1 053 994	-	22 520 038	(6 054 034)	-	(634 367)	(6 688 401)	15 831 637
	298 198 162	20 527 544	(395 184)	318 330 522	(88 419 322)	206 274	(8 778 310)	(96 991 358)	221 339 164
Total	298 198 162	20 527 544	(395 184)	318 330 522	(88 419 322)	206 274	(8 778 310)	(96 991 358)	221 339 164

Thembelihle Local Municipality

Un-audited Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	-	-	Executive & Council/Mayor and Council	17 595 711	7 301 161	10 294 550
-	-	-	Finance & Admin/Finance	5 966 857	18 242 253	(12 275 396)
-	-	-	Planning and Development/Economic Development/Plan	17 587 121	11 613 555	5 973 566
-	-	-	Health/Clinics	1 915 605	7 682 965	(5 767 360)
-	-	-	Comm. & Social/Libraries and archives	1 319 507	1 252 797	66 710
-	-	-	Public Safety/Police	-	17 113	(17 113)
-	-	-	Waste Water Management/Sewerage	2 149 927	2 008 905	141 022
-	-	-	Road Transport/Roads	5 180 243	1 546 729	3 633 514
-	-	-	Water/Water Distribution	8 816 602	7 081 995	1 734 607
-	-	-	Electricity /Electricity Distribution	10 278 671	10 803 524	(524 853)
-	-	-	Other/Air Transport	1 236 081	1 455 432	(219 351)
-	-	-		72 046 325	69 006 429	3 039 896
Municipal Owned Entities Other charges						
-	-	-	Municipality	72 046 325	69 006 429	3 039 896
-	-	-	Total	72 046 325	69 006 429	3 039 896

Thembelihle Local Municipality

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Property rates	2 598 663	4 060 000	(1 461 337)	(36.0)	Expected errors to be shown on the rates reconciliation that did not materialise.
Service charges	16 230 103	18 491 000	(2 260 897)	(12.2)	Load shedding had an effect on the Electricity billed for the year that was not considered in the budget.
Rental of facilities and equipment	433 231	515 000	(81 769)	(15.9)	When the budget was compiled an expected increase was taken into account that did not materialised
Interest received (trading)	807 642	904 000	(96 358)	(10.7)	More debtors receipts were obtained which meant less interest charges.
Licences and permits	213 078	184 000	29 078	15.8	
Government Grants	45 592 233	34 269 000	11 323 233	33.0	Grants received were more than expected.
Administration and management fees received	1	-	1	-	
Fines & Penalties	3 879 093	4 512 000	(632 907)	(14.0)	Service provider for Traffic fines was appointed later than expected.
Commissions received	391 317	-	391 317	-	
Discount received	458 676	-	458 676	-	
Other income - (rollup)	602 693	486 000	116 693	24.0	Unexpected increase in other services required.
Connection fees	74 796	-	74 796	-	
Interest received - investment	390 984	301 000	89 984	29.9	Larger investments were used as what was expected.
	71 672 510	63 722 000	7 950 510	12.5	
Expenses					
Personnel	(22 187 614)	(20 207 000)	(1 980 614)	9.8	
Remuneration of councillors	(2 498 054)	(2 619 000)	120 946	(4.6)	
Administration	(14 588)	-	(14 588)	-	
Depreciation	(8 778 310)	(10 107 000)	1 328 690	(13.1)	The asset register was completely re-stated after the budget was done.
Amortisation	(157 986)	-	(157 986)	-	
Finance costs	(3 476 067)	(645 000)	(2 831 067)	438.9	Unexpected increase in the landfill site rehabilitation provision
Bad debts written off	(6 689 570)	(8 749 000)	2 059 430	(23.5)	More debt were collected than expected.
Repairs and maintenance - General	(1 191 139)	(796 000)	(395 139)	49.6	Budget was based on cashflow payments towards repairs & Maintenance. Actuals include creditors transactions.
Bulk purchases	(10 372 009)	(9 378 000)	(994 009)	10.6	Budget was based on cashflow payments towards repairs & Maintenance. Actuals include creditors transactions.
Contracted Services	(91 531)	(161 000)	69 469	(43.1)	Budget was based on contracts to start on January 2015, but only started in May 2015.
General Expenses	(13 432 627)	(12 318 000)	(1 114 627)	9.0	
Operating leases	(116 932)	-	(116 932)	-	
	(69 006 427)	(64 980 000)	(4 026 427)	6.2	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(192 531)	-	(192 531)	-	
Fair value adjustments	651 910	-	651 910	-	
Actuarial Gains / Losses	(85 568)	-	(85 568)	-	
	373 811	-	373 811	-	
Net surplus/ (deficit) for the year	3 039 894	(1 258 000)	4 297 894	(341.6)	

Thembelihle Local Municipality

Appendix E(2)

June 2015

Budget Analysis of Capital Expenditure as at 30 June 2015

	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	%	variances from budget
Municipality					
Budget & Treasury	2 252	70 000	67 748	97	
Planning and	7 268 100	7 268 000	(100)	-	
Development/Economic					
Development/Plan					
Water/Water Distribution	13 272 513	5 399 000	(7 873 513)	(146)	Unexpected increase in capital grants.
	20 542 865	12 737 000	(7 805 865)	(61)	
Municipal Owned Entities					
Other charges					

Thembelihle Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun			
Equitable Share	Treasury	6 623	-	5 579	4 533	-	6 623	-	5 579	4 533	-	2 968	-	-	-	-	Refund of Unspent MIG	Yes	
MIG	Treasury	3 598	-	3 000	-	7 500	153	4 111	4 635	3 819	4 022	(2 804)	-	-	-	-	Refunded from Equitable Share	Yes	
RBIG	Treasury	463	674	345	2 477	1 163	-	294	51	2 477	3 671	-	-	-	-	-		Yes	
FMG	Treasury	1 800	-	-	-	-	506	323	196	533	242	-	-	-	-	-		Yes	
MSIG	Treasury	-	934	-	-	-	-	41	351	205	338	-	-	-	-	-		Yes	
EPWP	Treasury	400	300	300	-	-	-	29	376	202	214	-	-	-	-	-		Yes	
INEP	Treasury	-	-	-	-	-	-	-	-	-	-	(164)	-	-	-	-	Refunded from Equitable Share	Yes	
Library	Province	-	-	391	391	-	12	37	49	45	44	-	-	-	-	-		Yes	
		12 884	1 908	9 615	7 401	8 663	7 294	4 835	11 237	11 814	8 531	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.